



2009 Market Value Self-Contained Appraisal Report

Phases I, II and III, Bassett Creek Valley Redevelopment Project
Located on the Linden Yards and Impound Lot current sites
I-394 and future extension of Van White Blvd
Minneapolis, Minnesota

Owner is the City of Minneapolis

DRAFT



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Principals
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June 19, 2009

City of Minneapolis
Attn: Beth Grossen, Senior Project Coordinator and Lee Peterson, Staff Appraiser
Minneapolis Community Planning & Economic Development
Crown Roller Mill
105 5th Ave S, #200
Minneapolis, MN 55401

RE: Market value appraisal, self-contained report
Phases I, II and III of the Bassett Creek Valley Redevelopment Project
Located on the Linden Yards and Impound Lot current sites
I-394 and future extension of Van White Blvd
Minneapolis, Minnesota 55405
Owner is the City of Minneapolis

Dear Ms. Grossen and Mr. Peterson:

In accordance with your request, an inspection and market value appraisal analysis on the above-referenced property have been completed. We have considered all the relevant factors relating to the subject property and the current market forces. The attached report contains the pertinent data, summary of the analysis completed, commentary and value conclusions pertaining to this real estate engagement. The client and intended user is Minneapolis Community Planning & Economic Development; other than Ryan Companies, there are no other intended users. The intended use of the appraisal is for determining the market value of the separate phases for disposition and development purposes. The appraisal as developed and reported is only for the stated intended use and users. The Valuation Group, Inc. assumes no responsibility for any unintended uses or users of the appraisal.

The subject is proposed to be redeveloped as part of the Bassett Creek Valley Master Plan. The fee simple interests have been appraised. The dates of value correlate with the openings of the phases and are as follows:

Phase I - January 1, 2011
Phase II - January 1, 2016
Phase III - January 1, 2017

The subject project is two adjacent city-owned parcels--Linden Yards, currently used by the City's Public Works Department for storage yard and concrete crushing, and the other parcel is a portion of the Impound Lot. Combined, the phases comprise 29.9 gross acres and the property is located less than one mile west of downtown Minneapolis on the north side of the mixed-use I-394 corridor. The subject has good visibility from I-394. It is zoned OR3-Institutional Office Residence and I1-Light Industrial Districts, yet the subject will be rezoned after the proposed Bassett Creek Valley mixed-use redevelopment plan is implemented, along with the extension of Van White Blvd, and construction of a roundabout and a pedestrian bridge.

As part of the Bassett Creek Valley master plan, the subject is to be taken down in 3 phases beginning in 2011, with full completion anticipated in 2020. Approvals are in place for a very dense development. Phase I, Linden Yards West, comprises over 11 acres. Intended in this phase are 3 office buildings (7-10 stories), a 12-story rental apartment building and a 16-story for-sale condo building. Ten-acre Phase II, Linden Yards East, will feature two office structures (9 & 12 stories) and an 8-story rental apartment. Phase III is residential only, with four medium-sized, mid-rise multi-family buildings on 8 acres. The nearly 30-acre project will feature over 1.6 million square feet of office, 894 multi-family residential units.

The appraisal assumes completion of the proposed district infrastructure including Van White Blvd and a roundabout, yet the developer will be responsible for 2 public plazas, walking trails, new streets & streetscape improvements, and storm water ponding/systems. See the body of the report for details on the subject features.

Our appraisal has been made in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP), all applicable local, state and federal regulations pertaining to appraisal practice and procedure, and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. Attached is a self-contained report as defined by USPAP, with additional supporting data retained in our workfile.

We have completed a credible appraisal analysis consistent with the intended use of the appraisal, the requirements of the intended user, and within conformity of the Scope of Work Rule per USPAP. Please refer to the body of the attached report for descriptions of assignment conditions and the details of the scope of work employed in our development of the conclusions. The analysis includes development of all reliable valuation approaches. The appraisal is subject to the general limiting conditions, extraordinary assumptions and hypothetical conditions contained on pages 12 and 13 (please review these before any of the values or conclusions are relied upon). Per our engagement, our analysis does not include the likely geotechnical and environment soils issues; TIF is available to cover the costs of correction and remediation.

Neither our employment to make this appraisal nor the compensation received is contingent upon the conclusions or values reported herein. Based upon our investigation and analysis, it is our opinion that the subject will have fee simple market values, subject to limitations and conditions as hereinafter stated, in the amounts shown below:

PHASE I: \$2,685,000 (6.77/sf land)
PHASE II: \$811,000 (\$1.79/sf land)
PHASE III: \$1

Due to the large development costs (particularly for phases II and III), and to the multi-year absorption of each phase, the underlying land values are moderate. The development cost for the 3rd phase exceed its potential market value. Should it become known that the developer would receive additional public assistance for the onsite infrastructure or site improvements, higher land values would result. It has been a pleasure to serve you in this manner. Feel free to contact us if you have any questions or concerns.

Respectfully submitted,

THE VALUATION GROUP, INC.

DRAFT

Thomas J. Day, MAI, SRA
Minnesota Certified General Real Property Appraiser #4000814

THE VALUATION GROUP, INC.

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IDENTIFICATION OF CLIENT, OTHER INTENDED USERS, AND INTENDED USE OF APPRAISAL

Client and Appraisal Engagement
Minneapolis Community Planning and Economic Development (CPED)
Crown Roller Mill
105 5th Avenue South
Minneapolis, MN 55401-2538
Engaged by: Beth Grosen, Senior Project Coordinator and Lee Peterson, Staff Appraiser
Phone 612-673-5034

Other Intended Users
Ryan Companies, the prospective buyer/developer

Intended Use of Appraisal
<input type="checkbox"/> Collateral valuation for underwriting a federally regulated real estate transaction
<input type="checkbox"/> Eminent domain: Total taking
<input type="checkbox"/> Eminent domain: Partial taking
<input type="checkbox"/> Asset evaluation
<input checked="" type="checkbox"/> Disposition purposes
<input type="checkbox"/> Acquisition purposes
Comments: To sell the subject property for the Bassett Creek Valley future mixed-use redevelopment after significant public infrastructure and planning have been completed.

Restriction on Use of Appraisal
<input checked="" type="checkbox"/> Differing intended users and appraisal problems/assignments involve different assignment conditions and scope of work. Hence, this appraisal as developed and reported is <u>only</u> for the intended user(s) and stated use. Neither the appraisers nor The Valuation Group, Inc. assume responsibility for any reliance by unintended users or uses of the appraisal
<input type="checkbox"/> This appraisal can not be used for a federally-regulated real estate transaction. FIRREA requires that the appraisal engagement not be from the borrower
<input checked="" type="checkbox"/> Any unauthorized use or third party relying upon any portion of this report, does so at its own risk and liability
Comments:

Previous Subject Appraisals
<input checked="" type="checkbox"/> Appraisers have not completed a prior appraisal within the past 3 years
<input type="checkbox"/> Appraisers have completed a prior appraisal for the same client within the past 3 years
<input type="checkbox"/> This is an updated appraisal assignment
<input type="checkbox"/> Appraisers have completed a prior appraisal during the past 3 years for a different client
<input type="checkbox"/> Current appraisal correlates well with the recent past appraisal
<input type="checkbox"/> Current appraisal notably differs from our recent past appraisal due to the following factors:
<input type="checkbox"/> This report is a revision to a recently submitted report; the past report should not be relied upon

Appraisers
Thomas J. Day, MAI, SRA MN Certified General Real Property Appraiser #4000814 Phone 763-398-1130, email tday@valgroun.net

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SUBJECT IDENTIFICATION AND EXECUTIVE SUMMARY

Subject Property Name and Location

Phases 1 - 3, Bassett Creek Valley Redevelopment
 Located on the Linden Yards and Impound Lot current sites
 I-394 and future extension of Van White Blvd
 Minneapolis, MN 55405

Legal Description and PID Number

Lengthy metes and bounds; see legal descriptions in the addenda
 PID numbers are 28-029-24-12-0022 (Linden Yards) and part of 28-029-24-12-0024 (Impound Lot)

Subject Property Owner

City of Minneapolis
 Public Works and Real Estate
 309 2nd Ave S #201
 Minneapolis, MN 55401
 Contact is Beth Grosen, Senior Project Coordinator,
 Business Development
 Phone 612-673-5002

The Valuation Group File Number

290123

Subject Occupancy

☒ Owner-occupied
☐ Vacant
☐ Leased to tenant(s)

Comments:

Subject land currently utilized as city's impound lot and public works storage yard

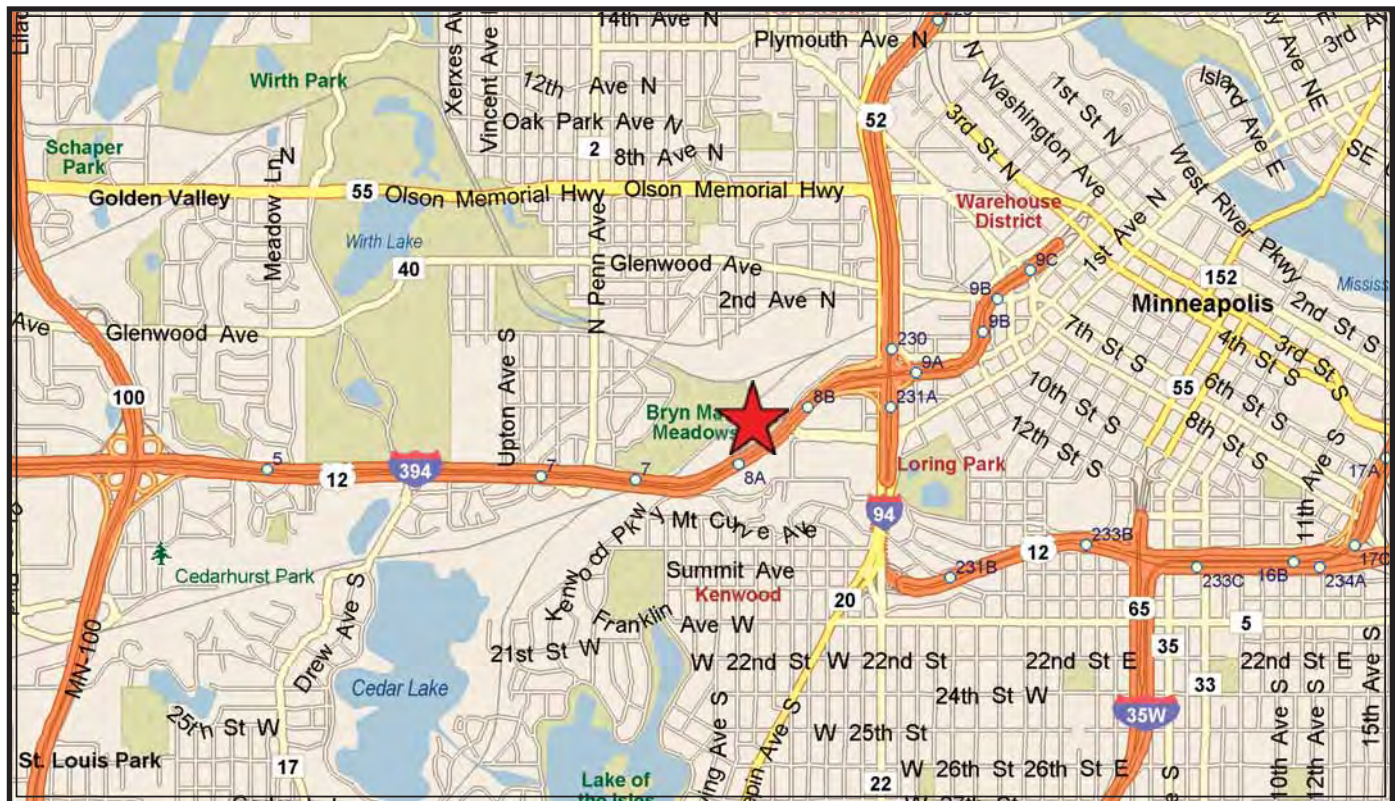
Subject Property Overview

Site	City-owned public works storage yard and portion of adjacent city-owned impound lot. One tax parcel and part of a second tax parcel; a total of 29.9 gross acres. Subject is part of the Bassett Creek Valley redevelopment plan, and will be rezoned to mixed-use after Van White Blvd is completed. Design and approvals are in place for very dense office towers and multi-family residential. The Linden Yard portion will have buildings of 7-16 stories, and the Impound Lot Phase 3 will have 3-4 story structures. Soft subsoils and environmental issues are within the district, yet are not considered in this appraisal due to appraisal engagement conditions (TIF is available for correction and remediation)
Improvements	None included or considered in this appraisal



SUBJECT IDENTIFICATION AND EXECUTIVE SUMMARY (CONTINUED)

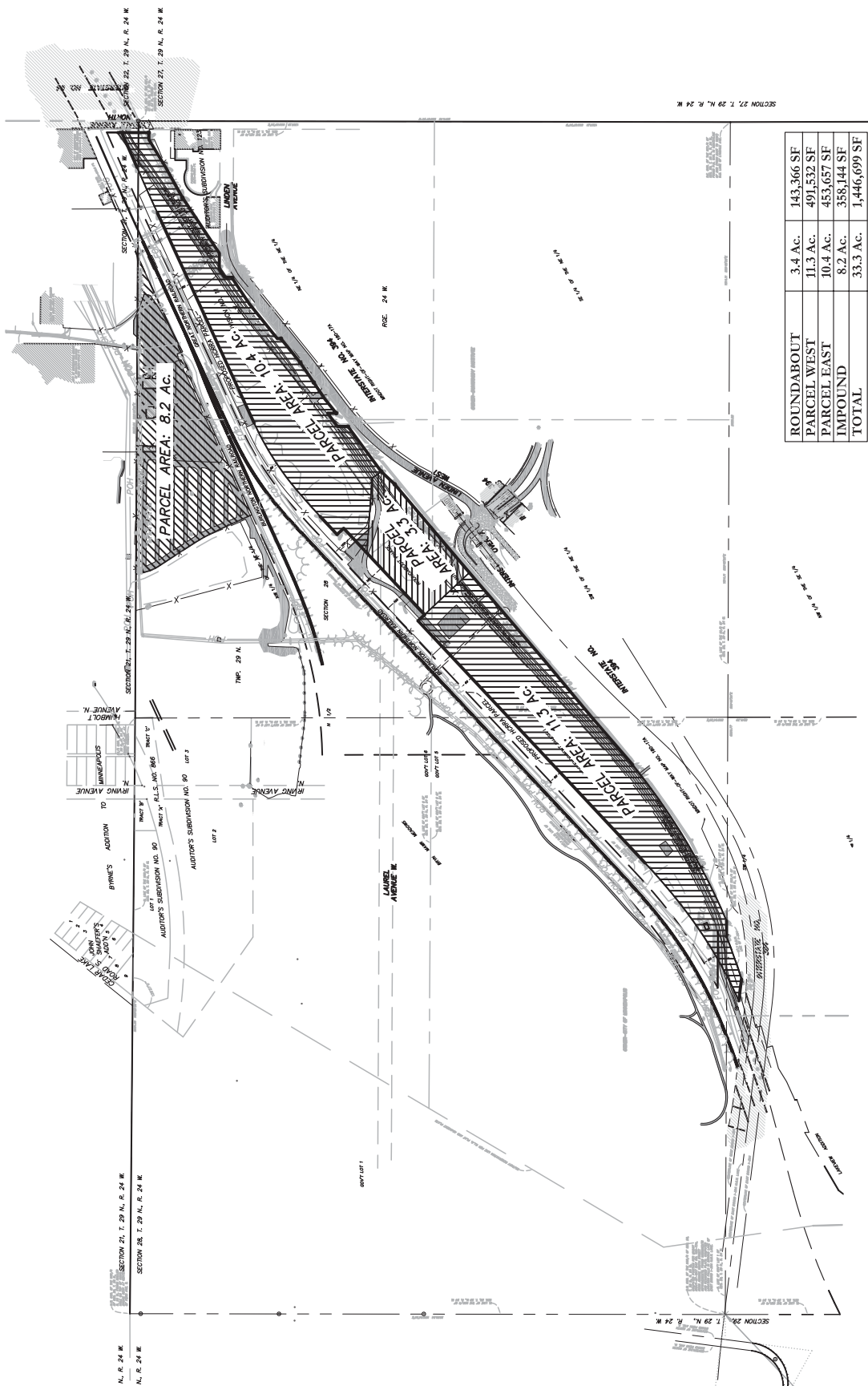
Location Map



Aerial Photo of Area



Bassett Creek Valley - Proposed Parcel Area



ROUNDAABOUT	3.4 AC.	143,366 SF
PARCEL WEST	11.3 AC.	491,532 SF
PARCEL EAST	10.4 AC.	453,657 SF
IMPOUND	8.2 AC.	358,144 SF
TOTAL	33.5 AC.	1,446,699 SF

INFORMATION FROM WESTWOOD PROFESSIONAL SERVICES FILE DATED; JULY 10, 2008

Redevelopment Plan



Parcel Map



SUBJECT IDENTIFICATION AND EXECUTIVE SUMMARY (CONTINUED)

Aerial Photos of Subject



SUBJECT IDENTIFICATION AND EXECUTIVE SUMMARY (CONTINUED)

Phase I--Linden Yards West 11.3 gross acres, 9.1 net acres

Building	Site Acres	Intended Use	Number of Stories	1st Floor SF	Floor Plate SF	Gross SF	Rentable SF	Efficiency (RSF/GSF)	No. of Units	Avg SF/Unit	Coverage	F.A.R.	Units/Acre	No. Parking Stalls	Parking Ratio (No./1000 RSF or per Unit)	Features
A	2.0	Office	8	33,764	33,764	270,112	256,606	95%			39%	3.10		1,049	4.09	Near round-about & LRT station
B	1.7	Office	10	33,764	33,764	337,640	320,758	95%			46%	4.56		1,010	3.15	
C	1.6	Office	7	33,764	33,764	236,348	224,531	95%			48%	3.39		549	2.45	Near pedestrian bridge linking to Bryn Mawr Meadows Park, overlooks future plaza
D	1.8	Rental apt	12	35,400	20,648	283,179	228,600	81%	240	953	45%	3.61	133	236	0.98	
E	1.5	Residential condo	16	12,800	12,800	204,800	182,082	89%	168	1,084	20%	3.13	112	264	1.57	Overlooks project pond
Plaza & ponding	0.5															
Phase Totals:	9.1			149,492	134,740	1,332,079	1,212,577	91%	408		38%	3.36		3,108	2.56	
Office Totals	5.3			101,292	101,292	844,100	801,895	95%			44%	3.66		2,608	3.25	
Residential Totals	3.3			48,200	33,448	487,979	410,682	84%	408	1,007	34%	3.39	124	500	1.23	

Phase II--Linden Yards East 10.4 gross acres, 10.4 net acres

Building	Site Acres	Intended Use	Number of Stories	1st Floor SF	Floor Plate SF	Gross SF	Rentable SF	Efficiency (RSF/GSF)	No. of Units	Avg SF/Unit	Coverage	F.A.R.	Units/Acre	No. Parking Stalls	Parking Ratio (No./1000 RSF or per Unit)	Features
F	4.0	Office	12	40,000	40,000	480,000	456,000	95%			23%	2.75		1,206	2.64	Near round-about, overlooks future pond & plaza
G	2.1	Office	9	33,600	33,600	302,400	287,280	95%			37%	3.31		759	2.64	
H	2.0	Rental apt	8	42,000	25,000	216,600	186,360	86%	196	951	48%	2.49	98	265	1.35	Overlooks pond & industrial
Plaza & ponding	2.3															
Phase Totals:	10.4			115,600	98,600	999,000	929,640	93%	196		26%	2.21		2,230	2.40	
Office Totals	6.1			73,600	73,600	782,400	743,280	95%			28%	2.94		1,965	2.64	
Residential Totals	2.0			42,000	25,000	216,600	186,360	86%	196	951	48%	2.49	98	265	1.35	

Phase III--Impound Lot 8.2 gross acres, 7.2 net acres

Building	Site Acres	Intended Use	Number of Stories	1st Floor SF	Floor Plate SF	Gross SF	Rentable SF	Efficiency (RSF/GSF)	No. of Units	Avg SF/Unit	Coverage	F.A.R.	Units/Acre	No. Parking Stalls	Parking Ratio (No./Unit)	Features
I	1.6	Multi-fam res	4	25,105	25,105	90,420	76,857	85%	90	854	36%	1.30	56	99	1.10	Adjacent to BNSF line & industrial uses
J	1.5	Multi-fam res	3	22,914	22,914	58,742	49,931	85%	59	846	35%	0.90	39	65	1.10	Adjacent to BNSF line
K	1.5	Multi-fam res	3	23,917	23,917	54,707	46,501	85%	55	845	37%	0.84	37	61	1.11	Adjacent to industrial uses
L	1.6	Multi-fam res	4	21,569	21,569	85,668	72,818	85%	86	847	31%	1.23	54	95	1.10	Across from Bassett Creek Commons
Ponding	1.0															
Phase Totals:	7.2			93,505	93,505	289,537	246,107	85%	290		30%	0.92	40	320	1.10	
Office Totals	0.0			0	0	0	0									
Residential Totals	6.2			93,505	93,505	289,537	246,107	85%	290	849	35%	1.07	47	320	1.10	

Project Totals, 29.9 gross acres, 26.7 net acres

Building	Site Acres	Intended Use	Number of Stories	1st Floor SF	Floor Plate SF	Gross SF	Rentable SF	Efficiency (RSF/GSF)	No. of Units	Avg SF/Unit	Coverage	F.A.R.	Units/Acre	No. Parking Stalls	Parking Ratio (No./Unit)	Features
Phase I Office	5.3			101,292	101,292	844,100	801,895	95%			44%	3.66		2,608	3.25	
Phase II Office	6.1			73,600	73,600	782,400	743,280	95%			28%	2.94		1,965	2.64	
Phase III Office	0.0			0	0	0	0							0		
Total Office	11.4			174,892	174,892	1,626,500	1,545,175	95%			35%			4,573	2.96	
Phase I Res	3.3			48,200	33,448	487,979	410,682	84%	408	1,007	34%	3.39	124	500	1.23	
Phase II Res	2.0			42,000	25,000	216,600	186,360	86%	196	951	48%	2.49	98	265	1.35	
Phase III Res	6.2			93,505	93,505	289,537	246,107	85%	290	849	35%	1.07	47	320	1.10	
Total Residential	11.5			183,705	151,953	994,116	843,149	85%	894	943	37%	1.98	78	1,085	1.21	
Plaza & ponding	3.8															
Combined Totals	26.7			358,597	326,845	2,620,616	2,388,324	91%	894		31%	2.25		5,658		

SUBJECT IDENTIFICATION AND EXECUTIVE SUMMARY (CONTINUED)

Subject Photos



SUBJECT IDENTIFICATION AND EXECUTIVE SUMMARY (CONTINUED)

Property Rights Appraised	
X	Fee simple interest
	Leased fee interest
	Leasehold interest
X	No personal property or special trade fixtures included in value
	Value includes the following special trade fixtures:
X	Any deferred taxes, delinquent taxes, special assessments, unpaid utility charges, payable association dues, or any other levies/liens on the subject are assumed to be paid
	Following special assessments <u>not</u> assumed to be paid:
X	Impact of any existing mortgage not included in appraisal
	Other:

Appraisal Dates	
Date(s) of Value	Phase 1 - 1/1/2011 Phase 2 - 1/1/2016 Phase 3 - 1/1/2017
Date of Inspection	5/27/2009
Date of Report	6/19/2009

Summary and Value Indications				
	Phase I	Phase II	Phase III	Totals
Acres	11.3 gross 9.1 net	10.4 gross 10.4 net	8.2 gross 7.2 net	29.9 gross 26.7 net
Approved Development	1,332,079 GSF 7 to 16-sty office and multi-family residential	999,000 GSF 8 to 9-sty office and multi-family residential	289,537 GSF 3 and 4-sty multi- family residential	2,620,616 GSF
FAR	3.36	2.21	.92	2.25
Summation of Retail Values--after completion of all land improvements (per sf of land)	\$9.1 mil (\$23.07)	\$6.6 mil (\$14.52/sf)	\$3.6 mil (\$11.56/sf)	\$19.3 mil (\$16.63)
Development Costs:				
Main Costs (Total / Per sf Land)	\$2,345,719 (\$5.92)	\$4,236,065 (\$9.35)	\$4,903,176 (\$15.63)	\$11,484,960 (\$9.88)
Streetscape Improvements & Public Plazas	\$1,830,250 (\$4.62)	\$1,462,349 (\$3.69)	None	\$3,292,599 (\$2.83)
Totals	\$4,175,969 (\$10.53)	\$5,698,414 (\$12.58)	\$4,903,176	\$14,777,559 (\$12.71)
Underlying Bulk Land Values	\$2,685,000 (\$6.77)	\$811,000 (\$1.79)	\$1	\$3,496,000 (\$3.01)

Exposure Period

1-2 years; absorption of the finished individual sites is likely to be near 10 years

CERTIFICATION OF APPRAISERS

We certify that to the best of our knowledge and belief:

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- 3) We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 7) Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
- 8) We have made personal inspections of the property that is the subject of this report.
- 9) Associate appraiser Barbara L. Day (MN Certified General Real Property Appraiser License #AP-20318572) assisted in preliminary research, analysis and report writing. No one else provided significant real property appraisal assistance to the person signing this report.
- 10) For Thomas J. Day, the reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- 11) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 12) As of the date of this report, Thomas J. Day has completed the requirements of the continuing education program of the Appraisal Institute.
- 13) We certify that we have adequate knowledge, experience, education and resources to competently complete this appraisal assignment.

Date: June 19, 2009

Signature: _____

Thomas J. Day, MAI, SRA

State Certification:

Minnesota Certified General Real Property Appraiser
#4000814

Expiration Date: 8/31/2010

DRAFT



ASSUMPTIONS AND LIMITING CONDITIONS

- 1) The appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the appraisers render any opinion as to the title, which is assumed to be good and marketable.
- 2) The furnished legal description is assumed to be correct.
- 3) The property is appraised free and clear of all indebtedness, liens or encumbrances unless otherwise stated.
- 4) Responsible ownership and competent property management are assumed.
- 5) Any plat, site plan or sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The appraisers have made no survey of the property. It is assumed that the utilization of the subject land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.
- 6) The appraisers are not required to give further consultation, testimony, or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made.
- 7) Any allocation of the total value estimated in this report between the land and the improvements applies only under the state program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 8) The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors. Stable soils are assumed unless otherwise stated.
- 9) Unless otherwise noted in this report, the subject is assumed to have no significant or value-impacting delineated wetlands. Since identifying these factors is beyond our area of expertise, we assume no responsibility for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- 10) Depending upon the scope of work, the appraisers may have reviewed FEMA maps for determining the subject's Special Flood Hazard Area. Precise locations are difficult to make, and we can not guarantee such determinations. The client is urged to retain an expert in this field, if desired.
- 11) Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. The appraisers have no knowledge of the existence of such materials on or in the property. The appraisers, however, are not qualified to detect such substances. The presence of substances such as petroleum products, asbestos, urea-formaldehyde foam insulation, radon gas, mold, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- 12) It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been identified, described and considered in the appraisal.
- 13) It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.
- 14) It is assumed that there is full compliance with all applicable local, state and federal environmental regulations unless a noncompliance has been stated, described, and considered in the appraisal report.
- 15) Information, estimates, and opinions furnished to the appraisers by others, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers can be assumed by the appraisers.
- 16) This appraisal does not affix or set the price of the property but offers only a supportable opinion as to the present worth of anticipated benefits subject to investment risk, measured mainly by the market data available at the valuation date. Therefore, we assume no liability for changes in market conditions or for the inability of the owner to locate a purchaser at the appraised value.
- 17) Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute. No part of the contents of this report, or copy thereof (especially any conclusions as to value, the identity of the appraisers, professional designations, reference to any professional appraisal organizations, or the firm with which the appraisers is connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraisers.
- 18) The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
- 19) Information in the appraisal report relating to the comparable market data is more fully documented in the confidential files in the office of the appraisers.
- 20) Possession of this report or a copy thereof does not carry with it the right of publication.
- 21) Differing intended users and appraisal problems/assignments involve different assignment conditions and scope of work. Hence, this appraisal as developed and reported is only for the intended user(s) and stated use. Neither the appraisers nor The Valuation Group, Inc. assume responsibility for any reliance by unintended users or uses of the appraisal. Any unauthorized use or third party relying upon any portion of this report, does so at its own risk and liability.

EXTRAORDINARY ASSUMPTIONS, SPECIAL LIMITING CONDITIONS, AND HYPOTHETICAL CONDITIONS

Definitions

Extraordinary assumptions or conditions affecting the appraisal are uncertain facts that are assumed to be accurate for purpose of the appraisal. Examples include a possible or probable rezoning which has not yet occurred, or possible contamination which is ignored in the value opinion.

Hypothetical conditions or assumptions are contrary to known facts or conditions. An example is ignoring known contamination for valuation purposes given a pending litigation in which damages are being sought due to the contamination.

Extraordinary and Special Assumptions and Limiting Conditions

X	Appraisal is subject to the completion of the proposed public infrastructure improvements--Van White Blvd, the roundabout and the I-394 connections; good workmanship is assumed. Appraisal is based upon these improvements being provided at no cost to the subject developer
X	TIF is available for soil correction and environmental remediation, yet not for other public infrastructure
X	Appraisal is based upon the assumption that no public funding sources are available to assist the developer with the significant additional site improvements. Should funding sources become available (such as assistance for the public plazas or parking ramps), the underlying land valuations would be increased
	The appraisers assume that the user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the property
	Some of the buildings are on or very close to the property borders--no encroachment is assumed
X	Any levied special assessments, deferred taxes, delinquent taxes, unpaid utility bills or any other liens on the subject property are assumed to be paid in full
	The proposed lease(s) as summarized within this appraisal report is assumed to be fully executed without significant alteration or delay
	No legal description or survey was furnished. The property dimensions and size were determined from other sources. Should a survey prove this information incorrect, revised analysis may be required
X	Prospective values are used in our valuation of the subject future phases. It is assumed that market conditions will have improved to a level to support new construction. Should the current deep recession be prolonged whereby rental rates do not support new construction or potential tenants can not be found, revised appraisal analysis would be required. Updated analysis would also be merited should the economy and real estate markets recover stronger than what most professionals are predicting
X	The land and/or building areas were obtained from submitted documents--they have been relied upon and are assumed to be accurate
X	The submitted budget costs documents have been relied upon, and are assumed to be accurate
X	Appraisal and valuation conclusions are predicated upon submitted approved densities. This is based on LRT serving the subject whereby parking requirements are reduced, therefore allowing for more dense development. Should this prove in the future not to be the case and density of the subject would be altered, a revised appraisal analysis would be merited

Hypothetical Conditions

	None
	Normal condemnation <u>Project Rule</u> is employed--no increase or decrease in the before market value of real property at or prior to the date of taking, which may be caused by the public improvement for which the property is acquired, may be considered in determining just compensation. Physical deterioration within the reasonable control of the owner may be considered
	Per condemnation rules, no general benefit from the public project are included to reduce subject damages
	Per condemnation rules, while a property may experience actual market value loss, no non-compensable damages are included in our appraisal per legal requirements. These may include: <ul style="list-style-type: none"> ■ Diversion of traffic ■ Circuity of travel if reasonable & convenient access is retained ■ Installation of a center median via police power, if reasonable & convenient access is retained to one direction of traffic ■ Loss of visibility from the travelling public unless a redesigned highway occurred on the part taken ■ Any off-site construction-related interference
X	Per the client's instructions, known environmental and geotechnical issues have been ignored in the analysis of the property. While the subject is known to have significant elements requiring correction and remediation, there is TIF available to cover these large costs
	Other:



TYPE AND DEFINITION OF APPRAISED VALUE

Type of Value

The type of value appraised is the market value of the subject property as of the date stated. Market value is purely an economic concept. It differs from:

- Intrinsic value
- Value in use--value based upon a specific use
- Investment value--value to a specific investor
- Going concern value--value of a proven property operation which can include personal property and business enterprise
- Insurable value
- Assessed value--used for taxation purposes and based upon mass appraisal techniques
- Public interest value (e.g., conservation and preservation issues)
- Liquidation value (consummation of a sale within a severely limited future marketing period, with limited marketing efforts, and where the seller is under extreme compulsion to sell)
- Cost

Value is created by utility, scarcity, desire and effective purchasing power.

From the 2008 - 2009 USPAP Edition, market value is "a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal."

The conditions included in market value definitions establish market perspectives for development of the opinion. These conditions may vary from definition to definition but generally fall into three categories:

- 1) The relationship, knowledge, and motivation of the parties (i.e., seller and buyer)
- 2) The terms of sale (e.g., cash, cash equivalent, or other terms)
- 3) The conditions of sale (e.g., exposure in a competitive market for a reasonable time period to sale)

Market Value Definition

The definition of "Market Value" as utilized in this report per federal agencies, such as the Office of the Comptroller of Currency, is as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The above definition requires analysis on property value for any special or creative financing or sales concessions which can occur in transactions in depressed markets.

DATE OF APPRAISAL

Appraisal Dates	
Date(s) of Value	Phase 1 - 1/1/2011 Phase 2 - 1/1/2016 Phase 3 - 1/1/2017
Date of Inspection	5/27/2009
Date of Report	6/19/2009
X	Prospective values are used in our valuation of the subject future phases. It is assumed that market conditions will have improved to a level to support new construction. Should the current deep recession be prolonged whereby rental rates do not support new construction or potential tenants can not be found, revised appraisal analysis would be required. Updated analysis would also be merited should the economy and real estate markets recover stronger than what most professionals are predicting
X	The prospective value assumes that all proposed Van White Blvd and related infrastructure will be fully completed; good workmanship is assumed

PROPERTY RIGHTS APPRAISED

Definitions	
Fee-Simple Interest	The absolute ownership interest unencumbered by any other interest or estate, subject only to the limitations of eminent domain, police power and taxation
Leased-Fee Estate	An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others
Leasehold Estate	The interest held by the lessee through a lease transferring the rights of use and occupancy for a stated term under certain conditions

Personal Property	
X	No personal property or special trade fixtures included in value
	Value includes the following special trade fixtures:
	Value includes the following personal property needed for the operation of the project as a rental facility:

Property Rights Appraised	
X	Fee simple interest subject to normal easements for drainage, public streets and utilities, if any
	Leased fee interest
	Leasehold interest
	Property is subject to a Life Estate
	Property is subject to the following known significant easements or encroachments:
	There are known transferable development rights (TDRs):
X	Appraisal and valuation conclusions are predicated upon submitted approved densities. This is based on LRT serving the subject whereby parking requirements are reduced, therefore allowing for more dense development. Should this prove in the future not to be the case and density of the subject would be altered, a revised appraisal analysis would be merited
	Property interest includes only subsurface or air rights:
	Property has known significant deed restrictions:
	Property appraised is a partial ownership interest:
	Property appraised is a condominium ownership
	Property appraised is a cooperative ownership
	Property appraised is a timeshare interest
X	Any deferred taxes, delinquent taxes, special assessments, unpaid utility charges, payable association dues, or any other levies/liens on the subject are assumed to be paid
	Following special assessments <u>not</u> assumed to be paid:
X	Impact of any existing mortgage is not included in appraisal
	Impact of any existing lease(s) is not included in appraisal
	Other:



SIGNIFICANT ASSIGNMENT CONDITIONS

Summary of Appraisal Problems	
X	Elsewhere within this report are described the identification of client and intended users, the intended use of appraisal, the type and definition of value, the date of value, the identification of property characteristics and property rights, extraordinary assumptions and hypothetical assumptions
X	Overview: Subject is a city-owned public works storage yard and impound lot under consideration for redevelopment as part of the Bassett Creek Valley Plan. Our valuation assumes the plan will be fully implemented. Good market data was available and analyzed in our development of credible value opinions
	No special appraisal problems were encountered
X	Comments: Subject is a difficult appraisal assignment due to the unique features of the subject, its LRT access, the costly infrastructure improvements needed, and its dense approved status. While difficult to appraise, good market data and analysis have been completed to produce credible appraisal results

Competency Rule	
The Competency Rule of USPAP states that "Prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently."	
Thomas Day is certified by the State of Minnesota for appraising all types of real estate, has been appraising real estate since 1978, and holds the MAI and SRA designations from the Appraisal Institute. Mr. Day has extensive training and experience with appraising mixed-use property. Other assignments within the market area have been completed.	
Please refer to the Qualifications of Appraiser section of this report for additional background on the appraiser	

Significant Assignment Conditions	
X	Assignment includes an appraisal that has been completed in compliance with USPAP
X	Appraisal made in conformity to the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute
	Appraisal for use by a federally regulated financial institution; appraisal made in conformity to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA)
	Jurisdictional Exception Rule has been invoked in this appraisal: prepared in conformity with the Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book). These require exclusion of certain noncompensable damages under state or federal law
	Jurisdictional Exception Rule has been invoked in this appraisal: prepared in conformity with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and 1987 amendments, together known as the "Uniform Act". The Uniform Act applies to all real property acquisitions where Federal funds are involved. The regulations are codified in Title 49 Code of Federal Regulations (CFR) Part 24
	Appraisal prepared in conformity with established State of Minnesota eminent domain laws and regulations pertaining to appraisal practice and procedure
X	Appraisal made in conformity to client's established appraisal standards:
	Assignment engagement stipulates a short completion date; adequate analysis has been completed to produce credible assignment results
	For timing and/or fee limitations, appraisal assignment based upon development of only the most relevant valuation approach; other applicable approaches have not been developed
	For timing and/or fee limitations, appraisal assignment based upon development of two of the three traditional valuation approaches:
	Per scope of engagement, some valuation approaches are preliminary, or are based upon abbreviated analysis
	Subject trade fixtures or personal property have not been included
	Appraised value is based upon a continued highest and best use assumption
	Appraisal includes proposed improvements
	Appraisal is based upon stabilized occupancy; no discount for current vacancy issues has been made
	While subject may contain excess land; the additional value attributed to it has not been fully considered/developed
X	Subject environmental issues have not been considered, a condition of the appraisal engagement
X	Subject geotechnical issues have not been considered, a condition of the appraisal engagement
X	There are no client assignment conditions that result in predetermined opinions or conclusions, that favor the cause of the client, result in favorable compensation, or precludes the appraiser's impartiality
X	No assignment conditions have been accepted that are based upon speculative/unsupported highest and best use conclusions, unaccepted appraisal theories, or upon unsubstantiated legal opinions

TYPE OF REPORT

Overview

The difference between the three following report options is the level of content, detail of information, and the presentation provided. The report option must be consistent with the intended use of the appraisal. Additional supporting documentation is retained in our workfile

Type of Report

X	Self-Contained
	Summary
	Restricted-Use

Definitions

Self-Contained Report	State, <u>describe and explain</u> in sufficient detail the appraisal procedures, analysis and conclusions in compliance with USPAP SR 2-2(a)
Summary Report	State and <u>summarize</u> in sufficient detail the appraisal procedures, analysis and conclusions in compliance with USPAP SR 2-2(b). Sufficient information should be provided for the intended user to understand the rationale for the opinions and conclusions, including reconciliation of the data and approaches
Restricted-Use Report	<u>State</u> the appraisal procedures, analysis and conclusions in compliance with USPAP SR 2-2(c). This report option can be used only when the client is the sole intended user

SCOPE OF WORK USED TO DEVELOP APPRAISAL

Scope of Work Definition and Overview

Scope of work is defined by USPAP as “the type and extent of research and analyses in an assignment.” The appraiser must:

1. Identify the problem to be solved
2. Determine and perform the scope of work necessary to develop credible assignment results
3. Disclose the scope of work in the report

Scope of work (SOW) includes:

1. The extent to which the property is identified
2. The extent to which tangible property is inspected
3. The type and extent of data researched
4. The type and extent of analysis applied to arrive at opinions or conclusion

While appraisers have broad flexibility, there is significant responsibility in determining and developing appropriate SOW to produce credible conclusions in the context of the appraisal problem/assignment. In solving the appraisal problem, the following elements are needed: identification of client and other intended users, intended use of the appraisal, type and definition of value, valuation date, subject characteristics, and assignment conditions.

SOW acceptability includes the expectation of the intended users for similar assignments, and what an appraiser’s peers’ actions would be in performing the same or a similar assignment. An appraiser may not allow assignment conditions (e.g. limitations on inspection or info gathering, extraordinary assumptions, withholding of needed financial data, etc.) to such an extent that the results are not credible or are biased.

The appraisal problem has been adequately disclosed within other sections of this report. On the following pages and within the various sections of this report, the SOW performed is shown.



SCOPE OF WORK USED TO DEVELOP APPRAISAL (CONTINUED)

Scope of Work Elements	
X	Appraiser(s) has/have personally inspected the property
	Appraisers have <u>not</u> personally inspected the property
	An owner, representative, broker or party familiar with the property accompanied the appraisers during the inspection
X	No one accompanied the appraisers during the inspection
X	Interviews were made with an owner, representative, broker or party familiar with the property
X	Other than for the impound lot, access was available to all areas of the subject
	Adequate sample units/suites/bays were available for inspection
	Appraisers have personally measured the main improvements and have calculated the building areas
	Building areas obtained from owner's building sketch, and reasonably confirmed via sample personal measurements and calculations
	Building areas obtained from management, an owner, representative, broker or party familiar with the property, and have been relied upon as being accurate
	Building areas calculated by appraisers from submitted plans
	Building areas obtained from an owner's past mortgage appraisal, and reasonably confirmed via sample personal measurements and calculations
X	No building plans were available
	Partial building plans were available
	Detailed building plans were available
	Building sketch/layout was available
	Proposed improvements information were obtained from submitted plans and specifications
	Specifications were written
	Specifications were verbal
	Submitted plans and specs were sufficiently detailed for appraisal purposes
	Land area estimated from scaled calculations from plat map
X	Land areas obtained from the client
	Land area obtained from county (reasonably verified via plat map)
	Land area obtained from submitted survey or site plan
	Legal description of subject obtained from public tax records
X	Legal description obtained from client
	Legal description obtained from title work
	Legal description obtained from:
	No reliable legal description was available
X	Preliminary development plan was available
	Preliminary plat map was available
X	Plat map was available
	Survey was available

	Easement documents were available
X	Site plan was available
X	Parcel map was available
	Grading plan was available
	Topographic map was available
	Utility plan was available
	Landscape plan was available
	Developer's agreement was available
X	Aerial photos were available
	The roof was not personally inspected, nor were the HVAC or other mechanical equipment tested--all are assumed to be operable and have remaining life
	Info on roof and other non-visible components obtained from a party familiar with the property
	Professional roof and/or building inspection report was available
	Recent title work was available
	Special assessment search was available
X	FEMA flood hazard map was available
	Wetland delineation map was available
X	Public assessment info was available
	Pending or recent purchase agreement was available
	Past sale CREV was viewed
	Past appraisal on subject property was reviewed
	Copies of existing lease(s) were made available
	Verbal or summary existing lease info was provided
	Recent rent roll was available
	Information was made available on any failing tenants, turnovers, renewals and leasing prospects
	Letter(s) of intent to rent space within the subject were available
	Historic income and expense figures were provided
	Recent subject sales/revenue figures were available
	Summary information was available on recent capital replacements
X	Current or budgeted development costs were available
	Environmental assessment report was available
	Geotechnical report was available
	Engineer's report was available
	ADA compliance report was available
	Roof report was available
	New construction costs were available
	Renovation costs were available
X	Subject zoning obtained from published maps
	Subject zoning obtained from city official
X	Public Guide Plan and/or planning documents were available
X	Area demographic data were available
X	Traffic count maps were reviewed
	Other:
	Comments:

SCOPE OF WORK USED TO DEVELOP APPRAISAL (CONTINUED)

The subject's physical and economic research included the previous and following items, an investigation of the market area including value-impacting externalities such as demographics, trends, development activities & transportation, site features including access, traffic exposure & zoning, and improvement features such as size, age, condition & functional utility in the local marketplace.

Data researched included same highest and best comparables for the following described valuation approaches. Please refer to the specific valuation sections for more details on the scope of work developed.

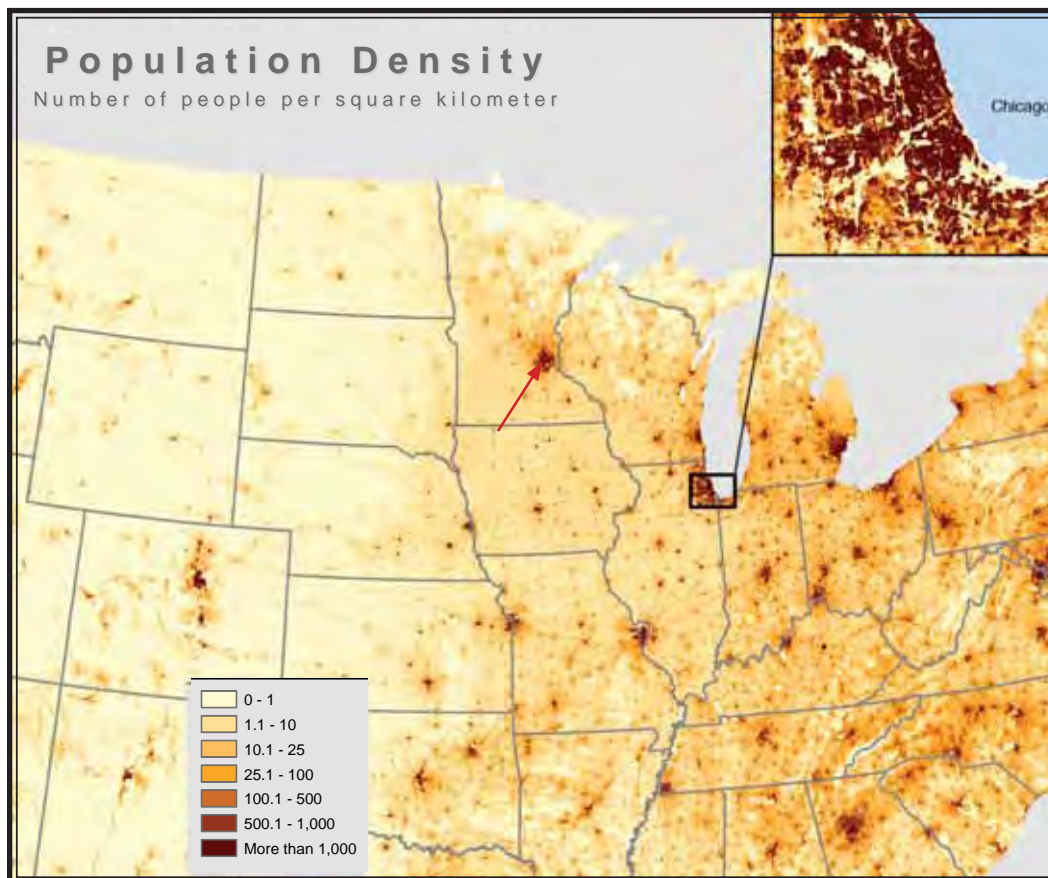
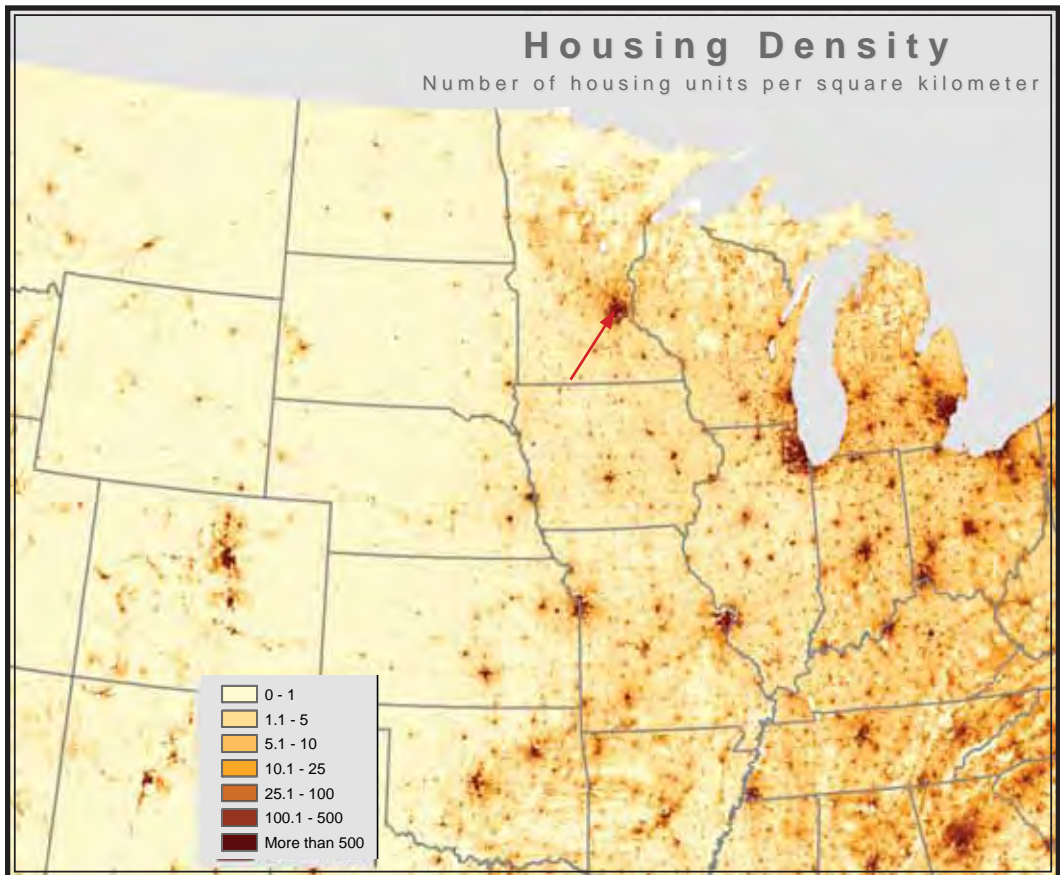
Scope of Work Analysis	
X	A Highest and Best Use analysis has been developed
	A <u>detailed zoning compliance</u> study has <u>not</u> been completed; this is acceptable given the intended use of the appraisal
	Only an abbreviated or <u>preliminary Highest and Best Use</u> analysis has been developed; this is acceptable given the limited complexity of the subject, and/or to the intended use of the appraisal
	No Highest and Best Use analysis was completed; <u>appraisal assumes a continued use</u> . This is acceptable given the limited complexity of the subject, and/or to the intended use of the appraisal
X	All <u>relevant (primary and applicable secondary)</u> valuation approaches have been developed
	Only <u>primary</u> valuation approaches have been developed; applicable secondary valuation approaches have <u>not</u> been developed due to their reduced reliability, and/or to the intended use of the appraisal
	Only the <u>most relevant</u> valuation approach has been developed; this is acceptable given the intended use of the appraisal
X	<u>Land valuation</u> has been separately developed, or developed within the Cost Approach
	Only an abbreviated or <u>preliminary land valuation</u> has been developed; this is acceptable due to the reduced reliability of the Cost Approach, and/or to the intended use of the appraisal
	Land valuation has <u>not</u> been developed; this is acceptable due to the reduced reliability of the Cost Approach, and/or to the intended use of the appraisal
	A credible appraisal has been rendered even though all applicable traditional valuation approaches have not been developed
	Cost Approach has been developed
X	Cost Approach has <u>not</u> been developed due to its limited reliability, to it not being applicable for a property of the subject type, and/or to the intended use of the appraisal. See Cost Approach section of this report for more discussion

X	Sales Comparison Approach has been developed: within DCF analysis
	Sales Comparison Approach has <u>not</u> been developed due to its limited reliability, to it not being applicable for a property of the subject type, and/or to the intended use of the appraisal. See Sales Comparison Approach section of this report for more discussion
X	Income Approach has been developed: DCF analysis
	Income Approach has <u>not</u> been developed due to its limited reliability, to it not being applicable for a property of the subject type, and/or to the intended use of the appraisal. See Income Approach section of this report for more discussion
X	All major comparables used were verified with a party to the transaction
	Some of the major comparables used were verified with a party to the transaction. Non-verified comps were obtained from data sources considered reliable
	None of the major comparables used were verified with a party to the transaction, yet our data sources are considered reliable
	None of the major comparables utilized in this report have been inspected
	Some of the major comparables utilized in this report have been inspected (exterior)
	Most of the major comparables utilized in this report have been inspected (exterior)
X	All of the major comparables utilized in this report have been inspected (exterior)
X	The appraiser(s) signing this report accept full professional responsibility for all of the analyses and conclusions contained within this report. The data used was obtained from sources considered credible, yet its accuracy is not guaranteed
	Other:

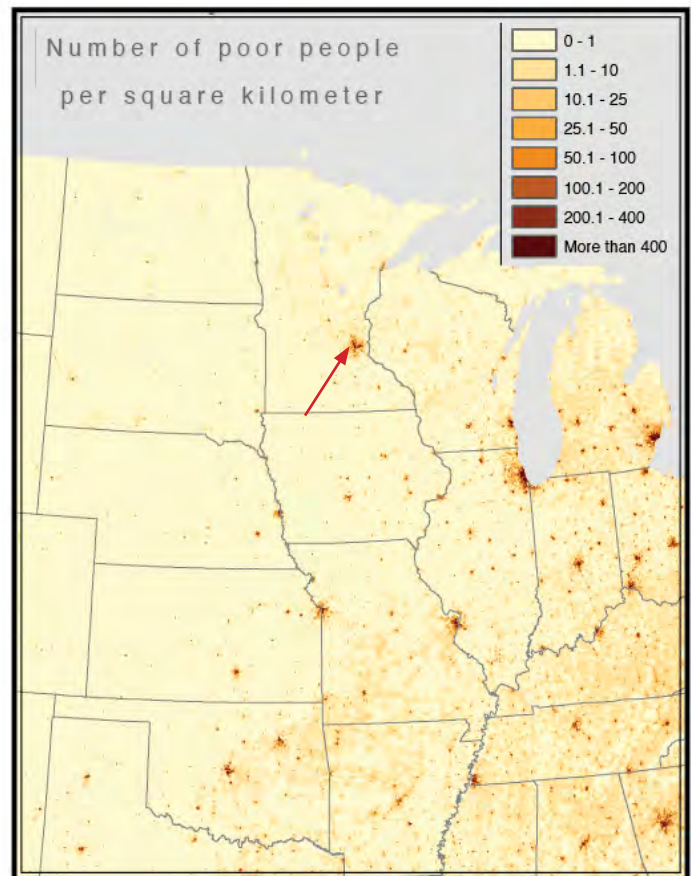
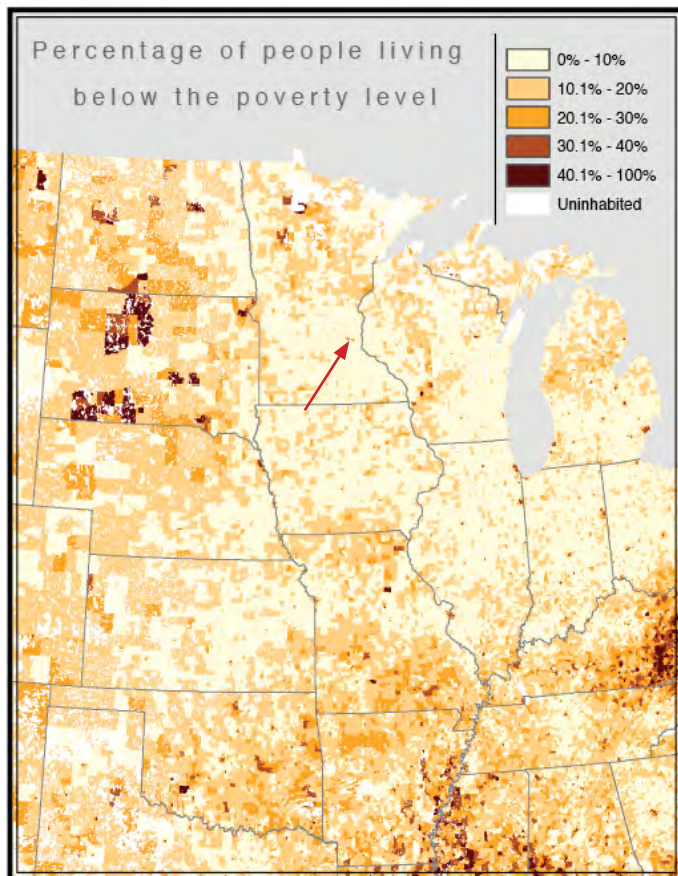
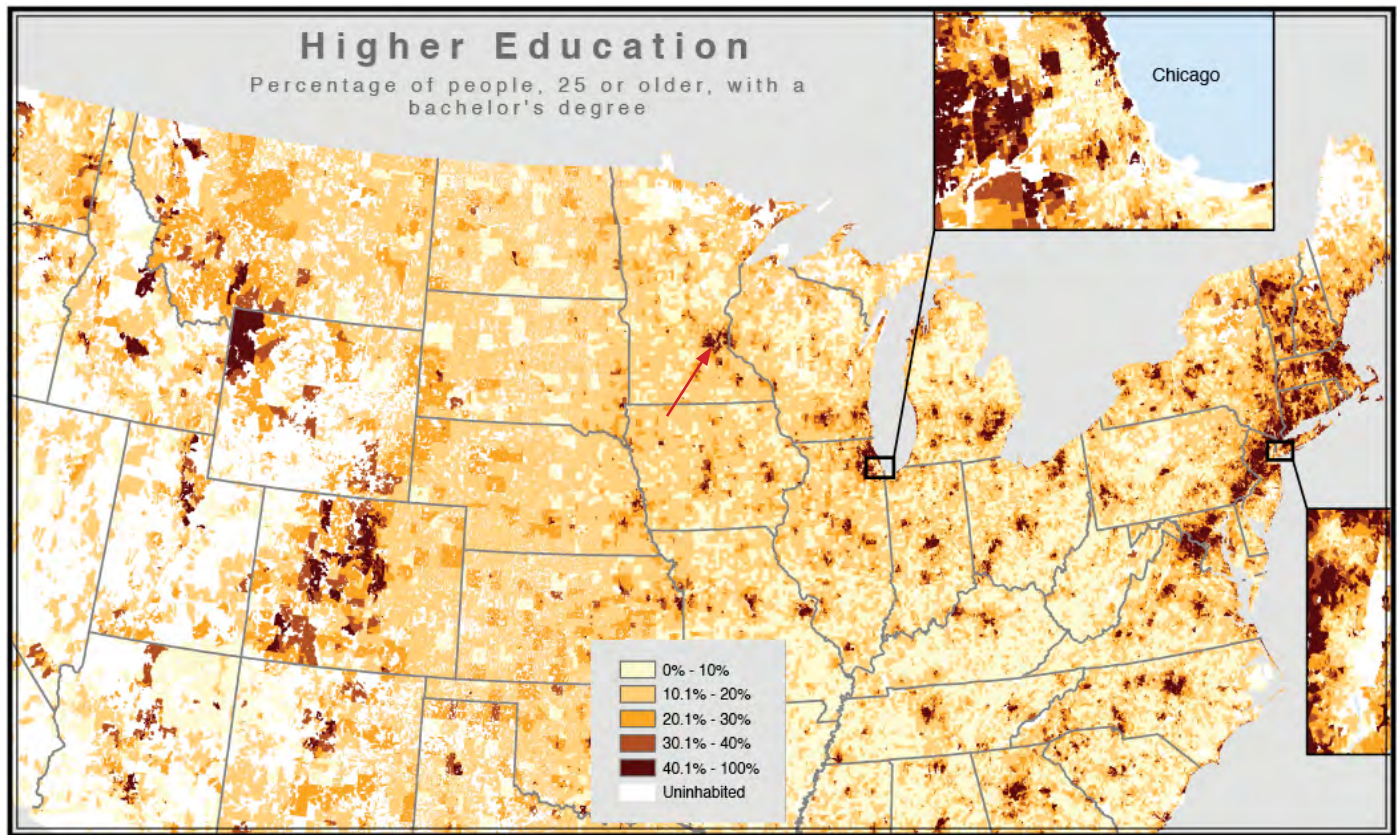
REGIONAL ANALYSIS

The subject is located in Minnesota, within the Twin Cities metropolitan area. The upper midwest region includes the major metropolitan centers of Chicago, the Twin Cities, Milwaukee, Kansas City, St. Louis and Des Moines.

Being the 16th largest metropolitan statistical area within the nation, and given its somewhat isolated setting away from other major MSAs, the Twin Cities is the dominant MSA for the region. It has a concentration of population, housing, higher-education workers, cultural and sporting activities, and both high-income and low-income households.



REGIONAL ANALYSIS (CONTINUED)



REGIONAL ANALYSIS (CONTINUED)

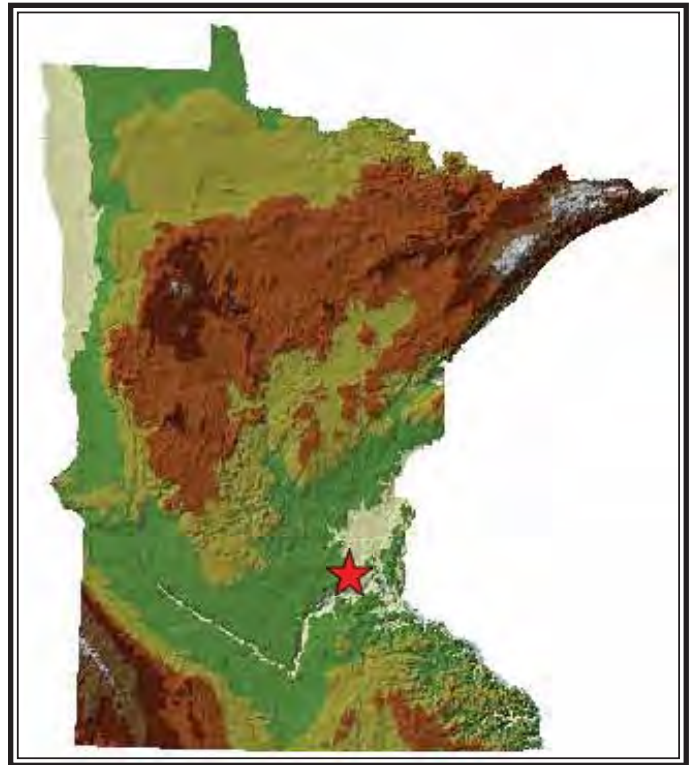
Minnesota Overview

Per Wikipedia Encyclopedia, Minnesota is the 12th largest state in the U.S., and the 21st most populous, with over five million residents. It was carved out of the eastern half of the Minnesota Territory and admitted to the Union as the 32nd state on May 11, 1858.

Nearly 60% of Minnesota's residents live in the Twin Cities metropolitan area, the center of transportation, business, and industry, and home to an internationally known arts community. The remainder of the state, often referred to as Greater Minnesota, consists of western prairies now given over to intensive agriculture; eastern deciduous forests, also heavily farmed and settled; and the less-populated northern boreal forest. The state is known as the "Land of 10,000 Lakes," and those lakes and the other waters for which the state is named, together with state and national forests and parks, offer residents and tourists a vigorous outdoor lifestyle.

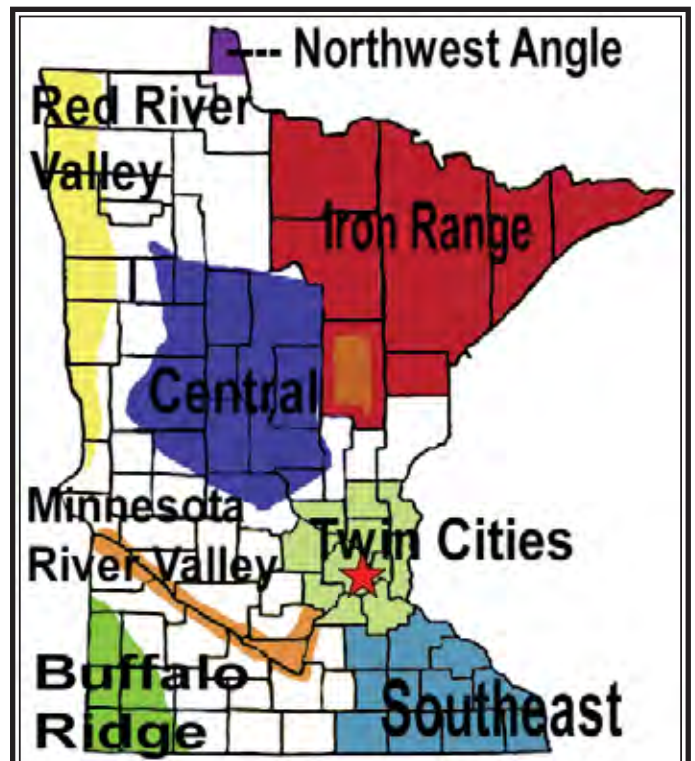
The extremes of the climate contrast with the moderation of Minnesota's people. The state is known for its moderate-to-progressive politics and social policies, its civic involvement, and high voter turnout. It ranks among the healthiest states by a number of measures, and has one of the most highly educated and literate populations.

Historic glaciers reached all of Minnesota except the far southeast and southwest. This untouched southeastern area is known as the Driftless Zone, and is characterized by rolling hills and streams that cut into the bedrock. The glaciers left their remains across the entire state as they retreated, with most areas having 50 feet or more of glacial till. As the last glaciers retreated, gigantic Lake Agassiz formed in the northwest; the lake's outflow carved the valley of the Minnesota River, and its bottom created the fertile lands of the Red River valley. Minnesota is geologically quiet today; it experiences earthquakes infrequently, and most of them are minor.



Regions of Minnesota

- Per Wikipedia Encyclopedia, the Northwest Angle is that portion of Minnesota north of the 49th parallel Latitude line
- The Iron Range is characterized by high concentrations of taconite and iron. The area is dotted by iron mines and populated by iron-industry workers. The North Shore, Arrowhead Region and the Boundary Waters are within the Iron Range
- The Twin Cities Metropolitan area includes 13 counties, two of which are in Wisconsin. It is a socio-economic area driven by the twin cities of Minneapolis and the state capital, St. Paul
- Although no specific boundaries of the region exist, most definitions of what makes up Central Minnesota would generally consist of the vast swath of land north of Interstate 94, east of U.S. Highway 59, south of U.S. Highway 2, and west of U.S. Highway 169
- Southeast Minnesota includes the scenic Mississippi Valley to the Whitewater River and Root River in the Coulee Region or Driftless Area
- The Buffalo Ridge is defined by a geological formation, characterized by higher elevation and high average wind speed, providing opportunities for commercially viable wind power. The area also includes the Pipestone Region
- The Red River Valley is a term the U.S. government uses to generally describe the sections of northeastern North Dakota and northwestern Minnesota which the U.S. secured title to following the Anglo-American Convention of 1818
- The Minnesota River Valley follows the state's namesake, a fertile agricultural area, running from the South Dakota border to its junction with the Mississippi River in the Twin Cities



REGIONAL ANALYSIS (CONTINUED)

State and Local Economy Overview

Per Wikipedia Encyclopedia, Minnesota's economy has transformed in the past 200 years from one based on raw materials to one based on finished products and services. The earliest industries were fur trading and agriculture. Agriculture is still a major part of the economy even though only a small percentage of the population, less than 1% are employed in the farming industry.

Minnesota is the U.S.'s largest producer of sugar beets, sweet corn, and green peas for processing and farm-raised turkeys. State agribusiness has changed from production to processing and the manufacturing of value-added food products by companies such as General Mills, Cargill (milling), Hormel Foods Corporation (prepackaged and processed meat products), and the Schwan Food Company (frozen foods).

Forestry, another early industry, remains strong with logging, pulpwood processing, forest products manufacturing, and paper production. The amount of forested land in the state is declining, from 16.7 million acres in 1990 to 16.2 acres in 2004; however, the average forest is maturing. From 1999 to 2004 the average annual growth within the state was 550 million board-feet of timber, while the average amount harvested was only 330 million board-feet per year.

Minnesota was famous for its soft-ore iron mines which produced a significant portion of the world's iron ore for over a century. Although the pure ore is now depleted, taconite mining remains strong using processes developed locally to save the industry. In 2004 the state produced 75 percent of the usable iron ore in the country. 3M (formerly Minnesota Mining and Manufacturing Co.) today is a diversified manufacturer of industrial and consumer products. The port of Duluth was created by the mining boom and today continues to be an important shipping port for the Midwest's agricultural and ore products.

Retail is represented by Target Corporation, Best Buy, and Supervalu, all headquartered in the Twin Cities. Southdale Center, the first fully-enclosed and completely climate-controlled shopping mall in the United States opened on October 8, 1956, in the suburban city of Edina. The largest shopping mall in the United States, the Mall of America, is located in Bloomington.

Medtronic and St. Jude Medical represent a growing biomedical industry spawned by university research, and Rochester is the headquarters of the world-famous Mayo Clinic. UnitedHealth Group is the second largest health insurance company in the U.S.

Financial institutions include U.S. Bancorp, TCF Bank, and Wells Fargo & Co.; insurers include St. Paul Travelers and Thrivent Financial for Lutherans. As might be expected in state with a love of the outdoors, boats and other recreational products are manufactured by a number of Minnesota companies, including Polaris Industries and Arctic Cat, who make snowmobiles and ATVs, Alumacraft Boat Company, and Lund Boats. An active high-technology sector is represented by Alliant Techsystems, Honeywell, Cray Computers, Imation, and a large IBM plant in Rochester.

Today, the most salient characteristic of the economy is its diversity; the relative outputs of its business sectors closely match the United States as a whole. Thirty-six of the United States' top 1,000 publicly traded companies (by revenue in 2006) are headquartered in Minnesota, including Target, UnitedHealth Group, 3M, Medtronic, General Mills, U.S. Bancorp, and Best Buy. The largest privately owned U.S. company, Cargill, is headquartered in Minnetonka.

Largest Public Companies Headquartered in Minnesota

State Rank by Revenue	Company Name	National Rank	Revenue (\$millions) (sic)* 2006 estimate	Headquarters City	Known for
1	Target	29	52,620.0	Minneapolis	Retailing
2	UnitedHealth Group	37	45,365.0	Minnetonka	Managed Health Care
3	Best Buy	76	27,433.0	Richfield	Retailing
4	St. Paul Travelers	85	24,365.0	St. Paul	P & C, Prof. Liability Insurance
5	3M	101	21,167.0	Maplewood	Diversified manufacturing
6	Supervalu	113	19,543.2	Eden Prairie	Food Distribution
7	U.S. Bancorp	131	16,596.0	Minneapolis	Banking and financial services
8	Northwest Airlines	182	12,286.0	Eagan	Airline
9	CHS, Inc.	188	11,984.6	Inver Grove Hgts.	Fuel Distribution
10	General Mills	206	11,244.0	Golden Valley	Food Processing
11	Medtronic	235	10,054.6	Fridley	Medical Devices
12	Xcel Energy	247	9,695.3	Minneapolis	Electricity Production and Dist.
13	Land O'Lakes	301	7,567.4	Arden Hills	Dairy Products
14	Thrivent Fin. for Lutherans	352	6,189.5	Minneapolis	Financial Products
15	C.H. Robinson Worldwide	379	5,688.9	Eden Prairie	Logistic Services
16	Hormel Foods	401	5,414.0	Austin	Meat Processing
17	Nash Finch	457	4,555.5	Edina	Food Distribution
18	Ecolab	459	4,534.8	St. Paul	Sanitation Supplier
19	Mosaic	470	4,396.7	Plymouth	Fertilizer Mfg.
20	PepsiAmericas	520	3,726.0	Minneapolis	Bottling
21	Bemis	545	3,474.0	Minneapolis	Flexible Packaging
22	Pentair	626	2,946.6	Golden Valley	Water Treatment
23	St. Jude Medical	628	2,915.3	St. Paul	Medical Devices
24	Alliant Techsystems	638	2,801.1	Edina	Defense Contractor
25	Valspar	648	2,714.0	Minneapolis	Paint and Coatings
26	Patterson	707	2,421.5	St. Paul	Dental and Veterinarian Supplies
27	Minnesota Life	748	2,268.5	St. Paul	Life Insurance
28	Regis	759	2,194.3	Edina	Hair Salons
29	Polaris Industries	843	1,873.7	Roseau	Snowmobiles and ATVs
30	Toro	864	1,779.4	Bloomington	Power lawn tools
31	Deluxe	873	1,749.5	Shoreview	Check Printing
32	Donaldson	931	1,595.7	Minneapolis	Filtration Products
33	Fastenal	959	1,523.3	Winona	Fastener Manufacturer
34	H.B. Fuller	965	1,512.2	Vadnais Heights	Adhesive Manufacturer
35	Federated Mutual Insurance	970	1,499.7	Owatonna	P & C, Health, and Life Ins.
36	Ceridian	986	1,459.0	Minneapolis	Payroll, benefits, and HR services

St. Minneapolis, MN

REGIONAL ANALYSIS (CONTINUED)

Twin Cities Overview

Per Wikipedia Encyclopedia, the Twin Cities of Minneapolis and Saint Paul and the surrounding area is the most highly populated area in Minnesota and the 16th-largest metropolitan area in the United States as of the 2000 census. Both built along the Mississippi River, Minneapolis is the largest city in the state, and St. Paul is the second largest and also the capital of Minnesota.

Areas of Minnesota outside of the Twin Cities are collectively referred to as "Greater Minnesota" or "Outstate" by people from the Twin Cities metro area. It is common for residents of the Twin Cities area to own or share cabins and other properties along lakes and forested areas in the central and northern regions of the state, and weekend trips "up North" happen through the warmer months.

Natural geography played a role in the settlement and development of the two cities. The Mississippi River valley in this area is defined by a series of stone bluffs that line both sides of the river. Saint Paul grew up around Lambert's Landing, the last place to unload boats coming upriver at an easily accessible point, some seven miles downstream from Saint Anthony Falls, the geographic feature that defined the location of Minneapolis and its prominence as the Mill City.

Today, the two cities directly border each other and their downtown districts are about 10 miles apart. The Twin Cities are generally said to be in "east central" Minnesota. The Cities draw commuters from as far away as Rochester, St. Cloud, Mankato and Eau Claire.

The Twin Cities area is a cultural, sporting and financial hub for the region. It is considered the capital for the arts in the Upper Midwest, the lead region among others such as the Twin Ports (Duluth, Minnesota-Superior, Wisconsin), Madison, Wisconsin and Milwaukee, Wisconsin. There also are a number of professional nation sport teams. Since 1961, it has been common practice for any major sports team based in the Twin Cities to be named for Minnesota as a whole, with the Twins and Vikings followed by the Minnesota North Stars (1967–93), Minnesota Muskies (1967–68), Minnesota Moose (1994–1996), Minnesota Pipers (1968–69), Minnesota Fighting Saints (1972–77), Minnesota Kicks (1976–81), Minnesota Strikers (1984–88), Minnesota Timberwolves (1989–present), Minnesota Thunder (1990–present), Minnesota Lynx (1999–present), Minnesota Wild (2000–present) and Minnesota Swarm (2005–present).

There are a number of lakes in the region, and cities in the area have some very extensive park systems for recreation. Some studies have shown that area residents take advantage of this, and are among the most physically fit in the country.

The Minneapolis-St. Paul area has been criticized for inadequate public transportation. Compared to many other cities its size, the public transportation system in the Minneapolis-St. Paul area is less robust. As the metropolitan area has grown, the roads and highways have been updated and widened, but traffic volume is growing faster than the projects needed to widen them, and public transportation has not expanded commensurate with the population. The Minneapolis-St. Paul metropolitan area is ranked as the fifth worst for congestion growth of similarly-sized U.S. metropolitan areas. Although a light rail system, the Hiawatha Line was added in 2004, additional lines and spurs are needed to upgrade public transportation in the Twin Cities. Plans have been proposed for a light rail line connecting the Minneapolis and St. Paul along University Avenue, a light rail line connecting downtown Minneapolis to the suburb Eden Prairie, and for a commuter line connecting Minneapolis with St. Cloud along the Northstar Corridor.

Owing to its northerly latitude and inland location, the Twin Cities experience a relatively harsh climate, though not as much so as in most other parts of the state, partially due to the urban heat island effect. Minimum temperatures of 0° F or lower are seen on an average of 29.7 days per year; 76.2 days do not have a maximum temperature exceeding the freezing point. Temperatures above 90° F are reported on 15, according to the same climatic threshold normals. A normal growing season in the metro extends from late April or early May through the month of October.

Taxes are high. Minnesota's income tax is slightly progressive with three rates, 5.35%, 7.05% and 7.85%. The sales tax in Minnesota for most items is 6.5%. The state does not charge sales tax on clothing, some services, or food items for home consumption. The state legislature may allow municipalities to institute local sales taxes and special local taxes, such as the 0.5% supplemental sales tax in Minneapolis. The cities of St. Paul, Rochester, Duluth and St. Cloud have similar taxes. Excise taxes are levied on alcohol, tobacco, and motor fuel. The state imposes a use tax on items purchased elsewhere but used within Minnesota. Owners of real property in Minnesota pay property tax to their county, municipality, school district, and special taxing districts. The overall state and local tax burden is calculated to average 11.9% in 2006, ranking 4th highest in the country.



**Rivers and Lakes
Throughout the Twin
Cities Metro**

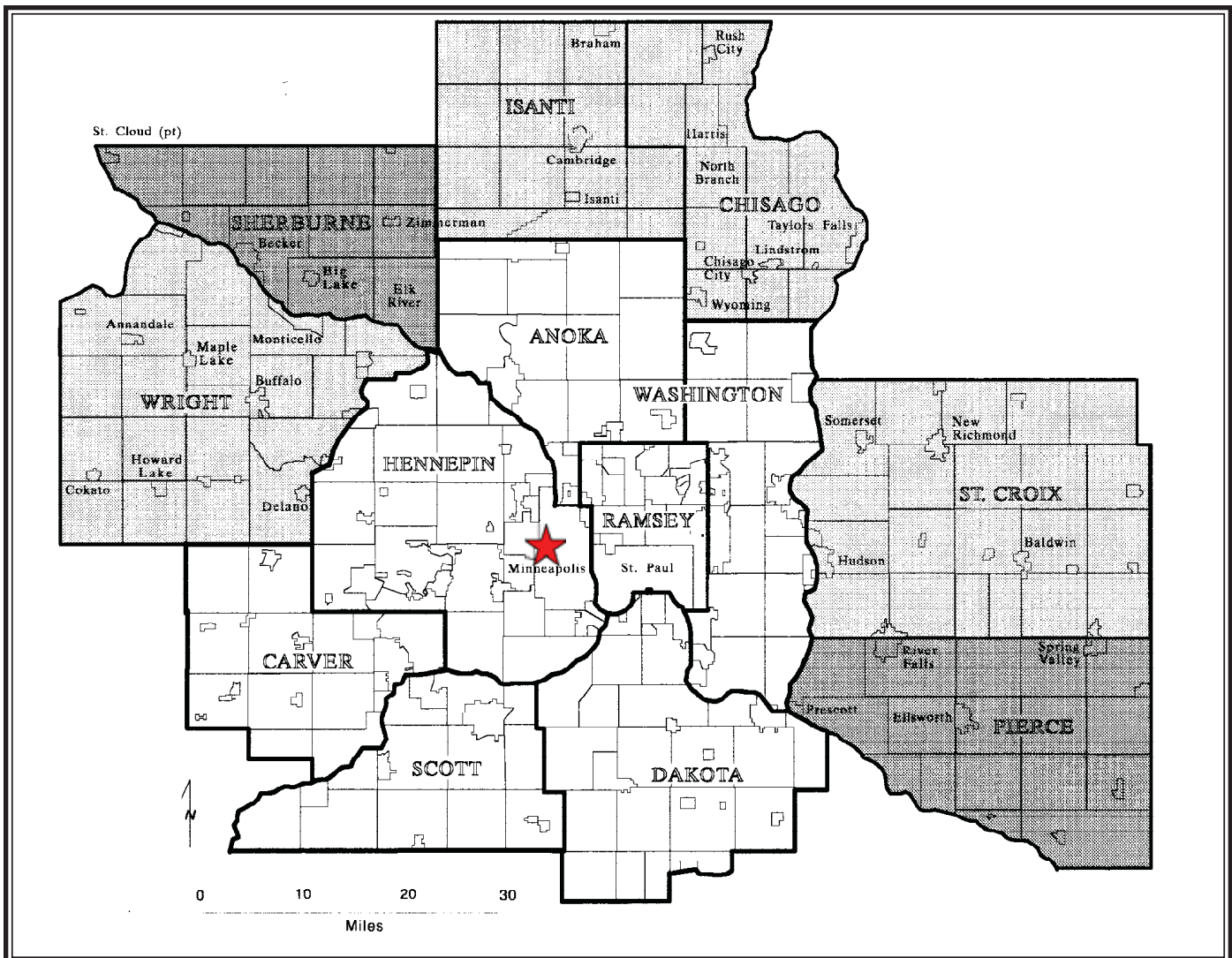
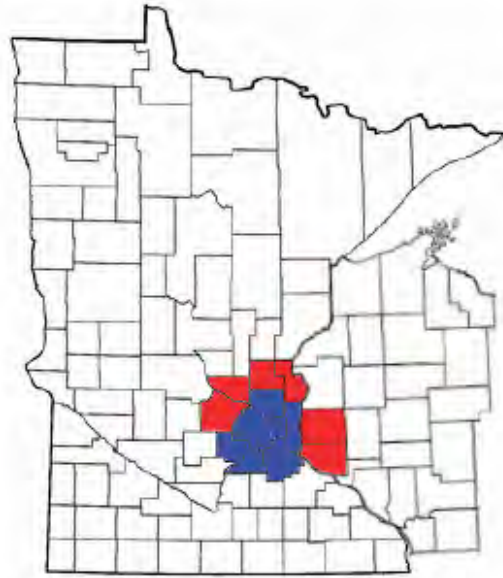
REGIONAL ANALYSIS (CONTINUED)

Twin Cities MSA

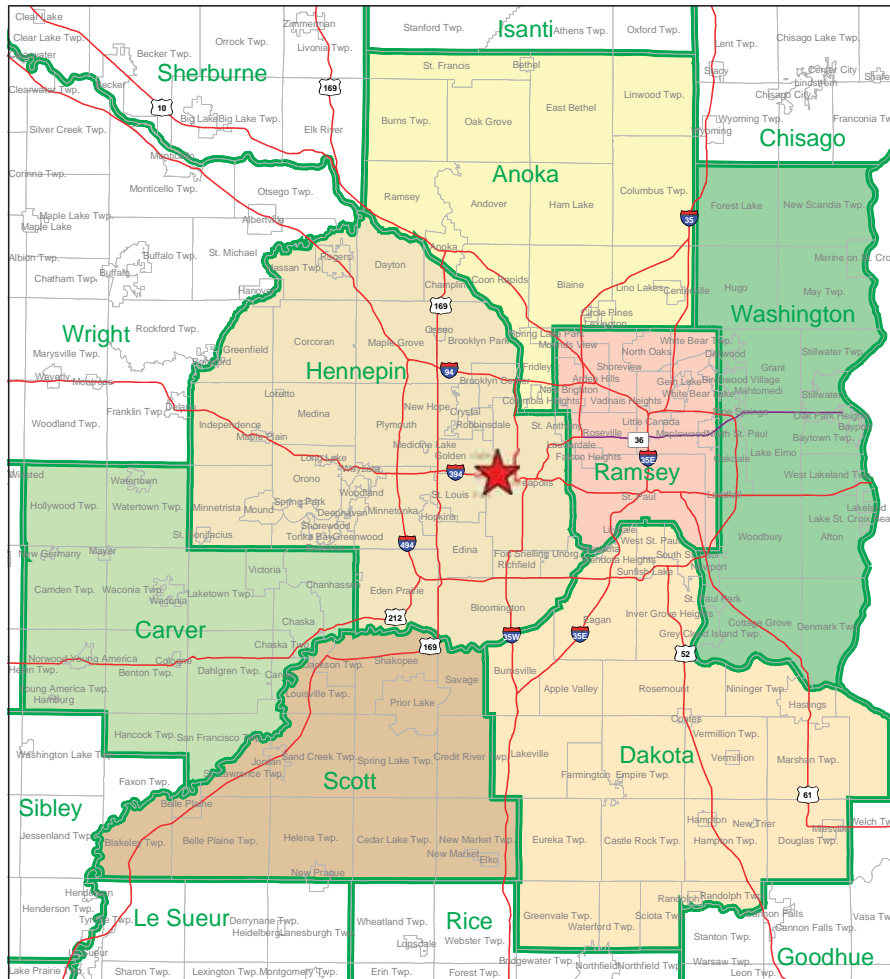
The subject is located in the 13-county Twin Cities Metropolitan Area (TCMA) which is situated in the southern half and eastern side of Minnesota along the Mississippi River. It is comprised of the Cities of Minneapolis, St. Paul, and surrounding suburbs.

As of the 2000 census, nearly 2.6 million, or 54% of Minnesota's residents, live within the original 7-county area. When the additional 6 counties are included in the 13-county metropolitan statistical area (MSA), the population increases to 2.9 million. As of April 1, 2005, it had increased to 3,142,779.

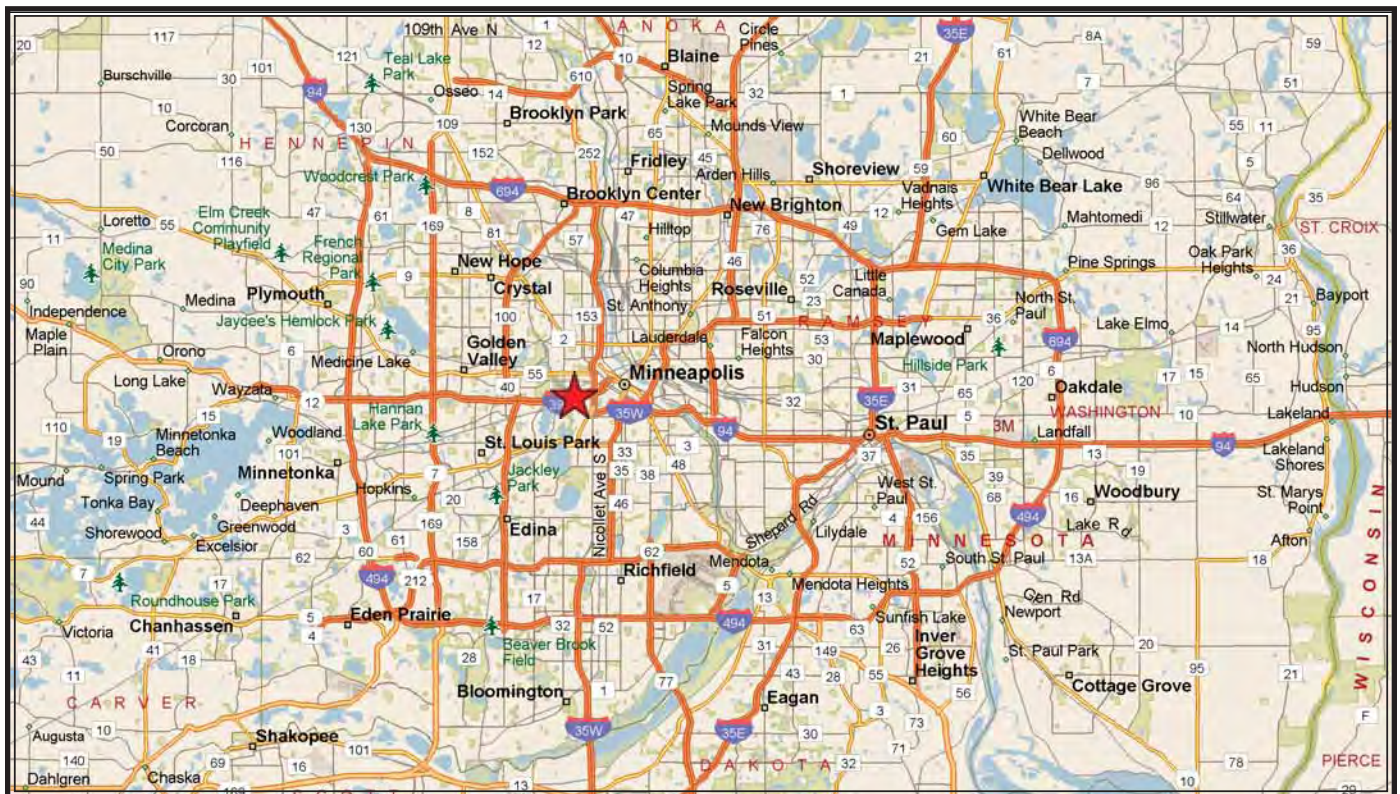
In general, the metro population is following national trends in terms of aging, smaller household sizes within the core counties, and the spreading gap in income.



REGIONAL ANALYSIS (CONTINUED)



**Twin Cities Metro
Location Maps**



REGIONAL ANALYSIS (CONTINUED)

Twin Cities MSA Ranking

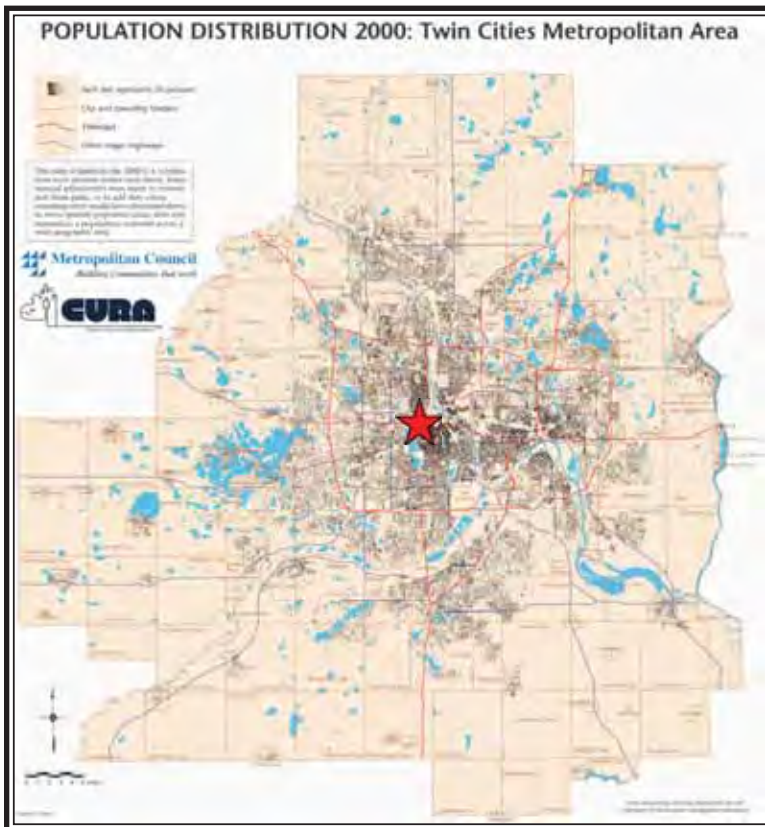
The Twin Cities MSA is ranked 16th nationally in population. It has a strong housing occupancy, owner occupied housing, and a low percent vacant.

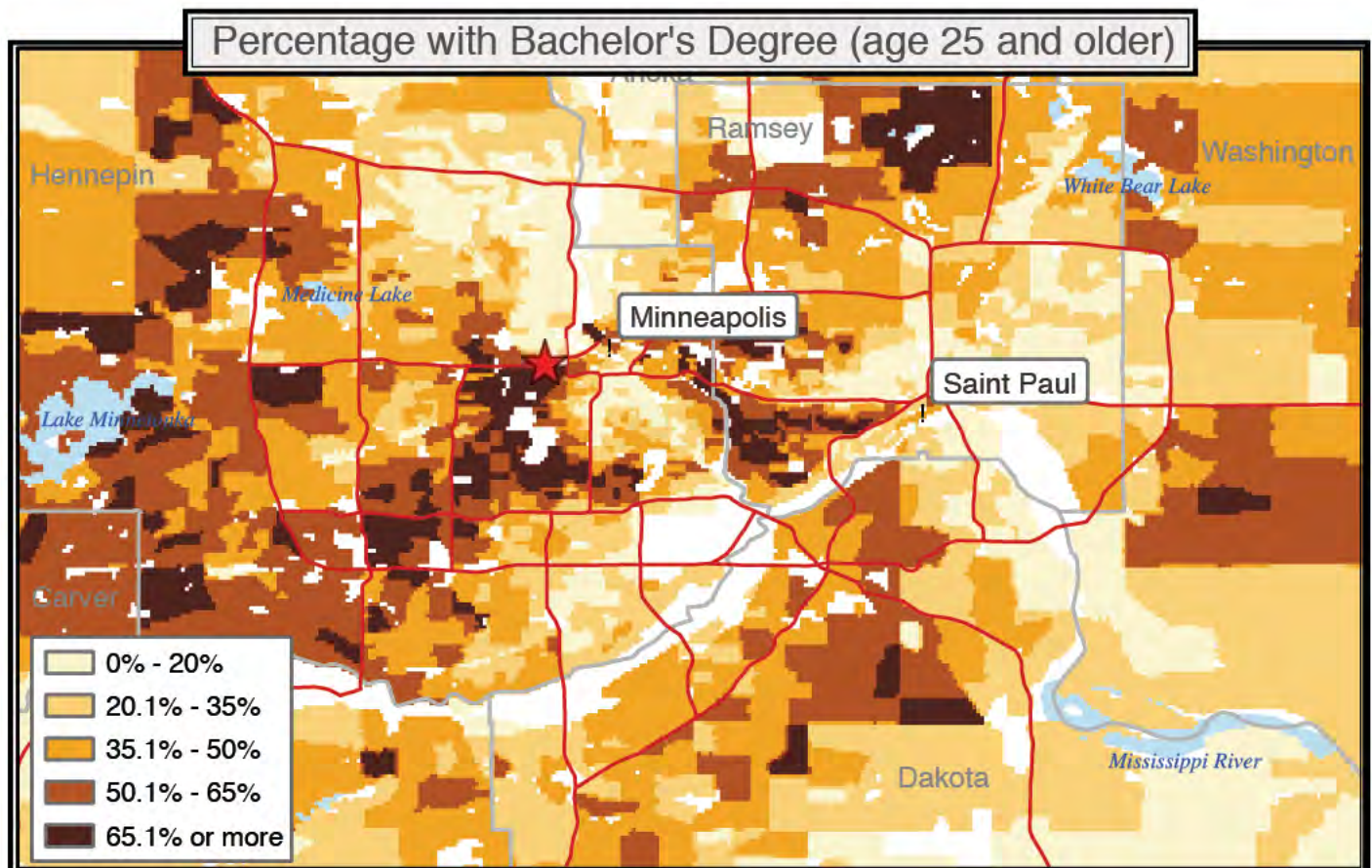
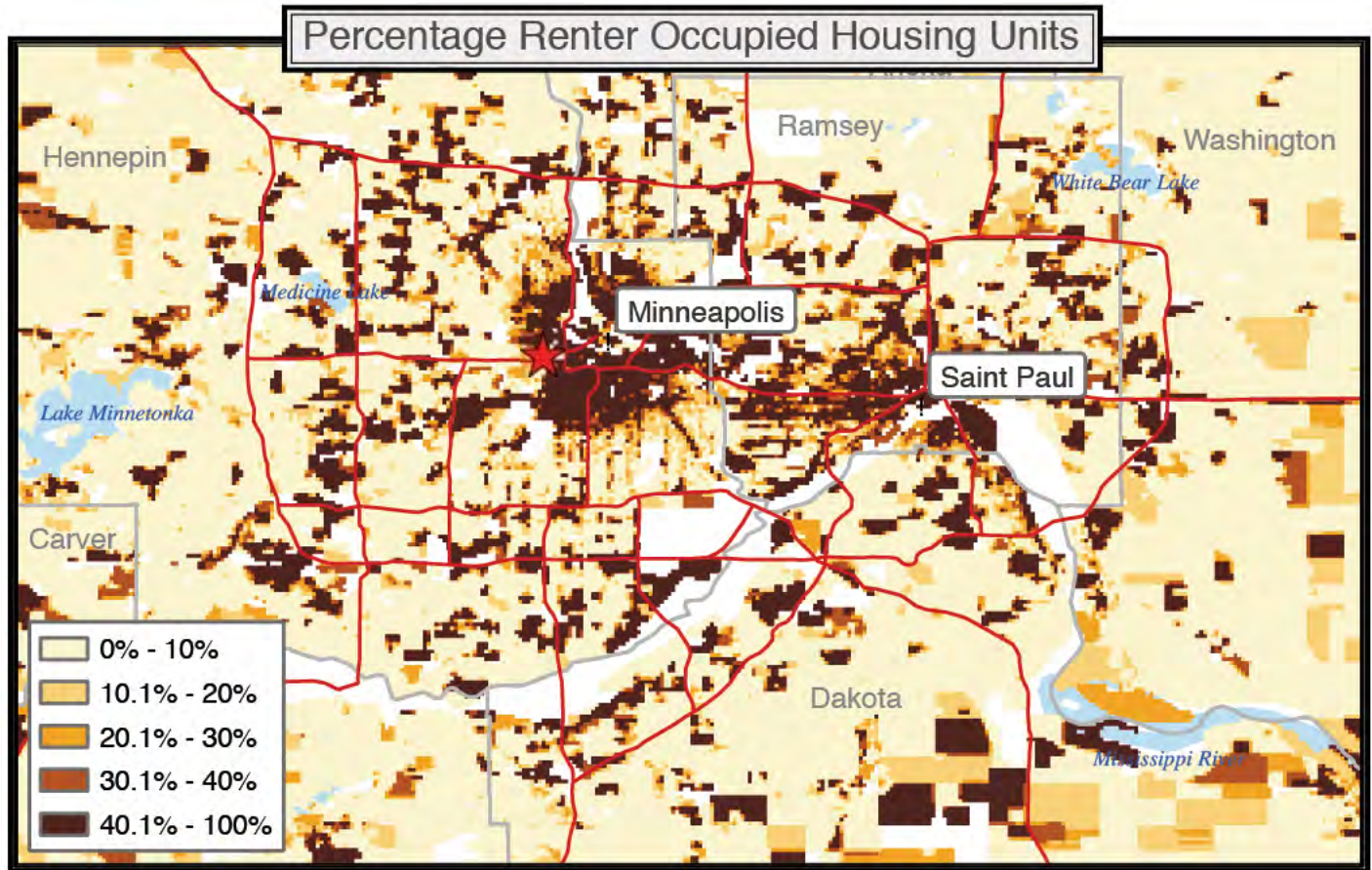
Twin Cities Comparison to 25 Largest National MSAs

Metropolitan Area Comparison Table: General Demographics

Metropolitan Area (Arranged alphabetically)	Total population	Median age (years)	% under 18 years	% 65 years and over	Total housing units	% occupied	% owned	% rented	% vacant	Total households	Average household size	Total families	Average family size
Minneapolis--St. Paul, MN--WI MSA RANK	15	13	7	21	16	1	1	25	25	16	15	16	13
Allanta, GA MSA	4,112,198	32.9	26.6%	7.6%	1,589,568	94.7%	66.4%	33.6%	5.3%	1,504,871	2.68	1,041,738	3.18
Boston--Worcester--Lawrence, MA--NH--ME--CT CMSA	5,819,100	36.1	24.0%	12.6%	2,318,422	95.8%	61.7%	38.3%	4.2%	2,220,528	2.54	1,444,024	3.13
Chicago--Gary--Kenosha, IL--IN--WI CMSA	9,157,540	33.9	26.9%	10.9%	3,485,845	94.7%	65.2%	34.8%	5.3%	3,302,211	2.72	2,246,819	3.34
Cincinnati--Hamilton, OH--KY--IN CMSA	1,979,202	35.0	26.5%	11.7%	820,756	93.6%	67.1%	32.9%	6.4%	768,130	2.52	517,128	3.09
Cleveland--Akron, OH CMSA	2,945,831	37.2	25.3%	14.3%	1,246,124	93.6%	68.8%	31.2%	6.4%	1,166,799	2.47	772,140	3.06
Dallas--Fort Worth, TX CMSA	5,221,801	32.1	28.0%	8.1%	2,031,348	93.9%	60.4%	39.6%	6.1%	1,906,764	2.70	1,319,730	3.25
Denver--Boulder--Greeley, CO CMSA	2,581,506	33.8	25.7%	8.9%	1,042,779	96.2%	66.4%	33.6%	3.8%	1,003,218	2.53	641,493	3.13
Detroit--Ann Arbor--Flint, MI CMSA	5,456,428	35.3	26.4%	11.7%	2,208,124	94.3%	72.2%	27.8%	5.7%	2,081,797	2.58	1,405,633	3.15
Houston--Galveston--Brazoria, TX CMSA	4,669,571	31.9	29.0%	7.7%	1,777,902	92.2%	60.7%	39.3%	7.8%	1,639,401	2.80	1,169,507	3.35
Kansas City, MO--KS MSA	1,776,062	35.2	26.6%	11.4%	740,884	93.7%	67.9%	32.1%	6.3%	694,468	2.51	466,195	3.07
Los Angeles--Riverside--Orange County, CA CMSA	16,373,645	32.3	28.5%	9.9%	5,678,148	94.2%	54.8%	45.2%	5.8%	5,347,107	3.00	3,764,566	3.56
Miami--Fort Lauderdale, FL CMSA	3,876,380	36.5	24.3%	14.5%	1,593,321	89.8%	63.2%	36.8%	10.2%	1,431,219	2.66	959,896	3.23
Minneapolis--St. Paul, MN--WI MSA	2,968,806	34.2	26.7%	9.6%	1,169,775	97.2%	72.4%	27.6%	2.8%	1,136,615	2.56	744,303	3.15
New York--Northern New Jersey--Long Island, NY--NJ--CT--PA CMSA	21,199,865	35.9	24.8%	12.7%	8,213,523	94.2%	53.0%	47.0%	5.8%	7,735,264	2.68	5,226,932	3.27
Philadelphia--Wilmington--Atlantic City, PA--NJ--DE--MD CMSA	6,188,463	36.4	25.3%	13.5%	2,539,825	91.4%	69.9%	30.1%	8.6%	2,320,719	2.58	1,565,770	3.16
Phoenix--Mesa, AZ MSA	3,251,876	33.2	26.8%	11.9%	1,331,385	89.7%	68.0%	32.0%	10.3%	1,194,250	2.67	808,321	3.20
Pittsburgh, PA MSA	2,358,695	40.0	22.3%	17.7%	1,046,094	92.4%	71.3%	28.7%	7.6%	966,500	2.37	631,416	2.96
Portland--Salem, OR--WA CMSA	2,265,223	34.7	25.7%	10.7%	918,935	94.3%	63.0%	37.0%	5.7%	866,475	2.56	568,928	3.10
Sacramento--Yolo, CA CMSA	1,796,857	34.6	27.1%	11.3%	714,981	93.1%	61.3%	38.7%	6.9%	665,298	2.65	445,835	3.19
San Diego, CA MSA	2,813,833	33.2	25.7%	11.2%	1,040,149	95.6%	55.4%	44.6%	4.4%	994,677	2.73	663,170	3.29
San Francisco--Oakland--San Jose, CA CMSA	7,039,362	35.6	23.6%	11.1%	2,651,275	96.5%	57.8%	42.2%	3.5%	2,557,158	2.69	1,651,602	3.28
Seattle--Tacoma--Bremerton, WA CMSA	3,554,760	35.3	24.8%	10.3%	1,467,176	94.9%	62.9%	37.1%	5.1%	1,392,393	2.50	894,514	3.06
St. Louis, MO--IL MSA	2,603,607	36.0	26.3%	12.9%	1,092,915	92.6%	71.4%	28.6%	7.4%	1,012,419	2.52	682,814	3.09
Tampa--St. Petersburg--Clearwater, FL MSA	2,395,997	40.0	21.9%	19.2%	1,143,979	88.2%	70.8%	29.2%	11.8%	1,009,316	2.33	637,653	2.88
Washington--Baltimore, DC--MD--VA--WV CMSA	7,608,070	35.4	25.3%	10.1%	3,043,659	94.4%	65.0%	35.0%	5.6%	2,871,861	2.59	1,908,666	3.15
Median		35.2	25.7%	11.3%		94.2%	65.2%	34.8%	5.8%		2.58		3.15

Note: Ranks are based on descending values
Source: US Census 2000



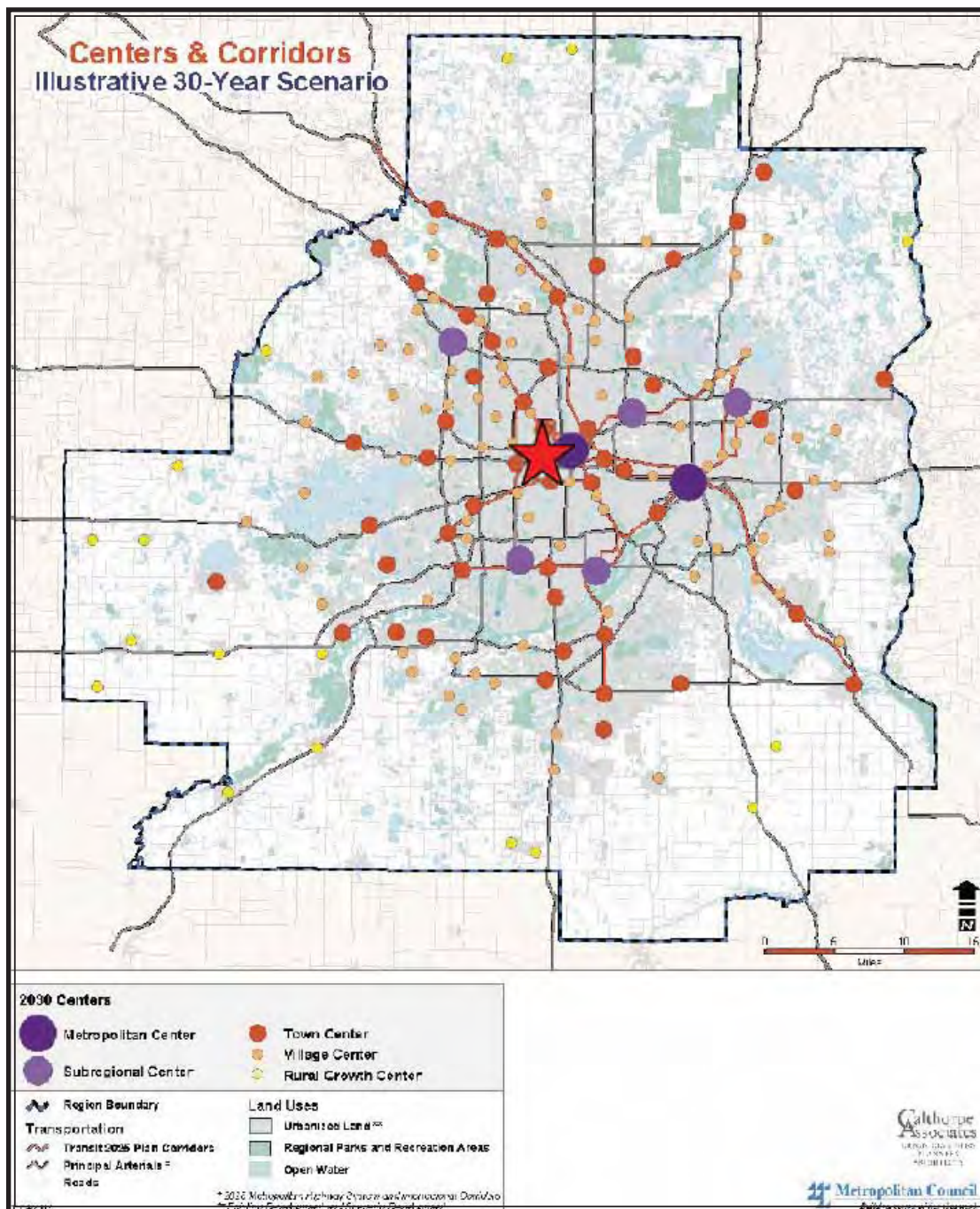


REGIONAL ANALYSIS (CONTINUED)

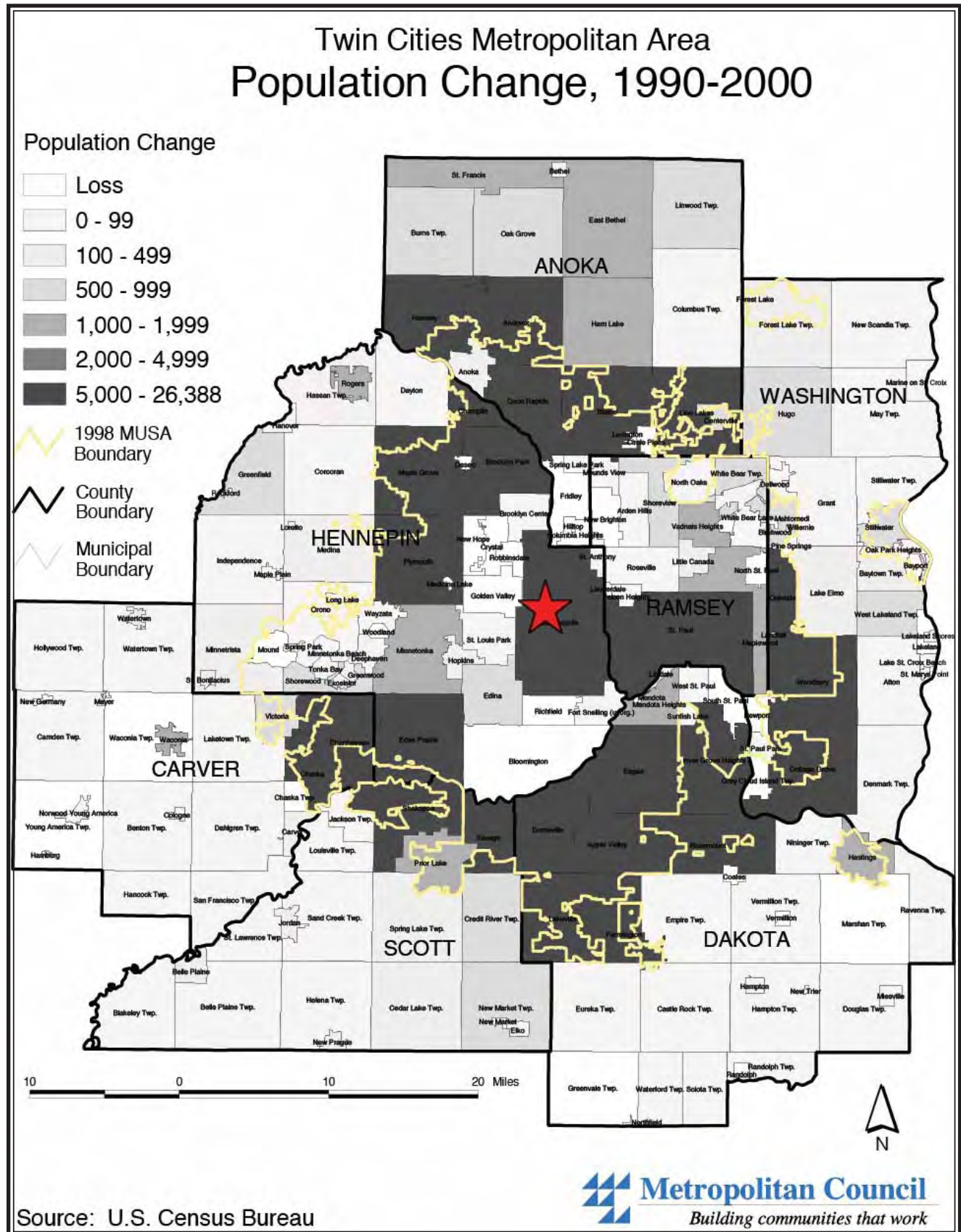
Growth Centers

Much of the development in the central cities occurred near the turn of the 20th century, with continued growth in the 1920's and 1940's. The first ring of suburban development occurred in the 1950's and 1960's. Second tier suburban growth was concentrated in the 1970's and 1980's. Cities currently experiencing extensive development include Woodbury, Plymouth, Maple Grove, Blaine, Oakdale, Cottage Grove, Eden Prairie, Shakopee, Savage, and Lakeville. Given the large size and the continuing expansion of the metro, there are numerous regional and town centers.

Regional Map

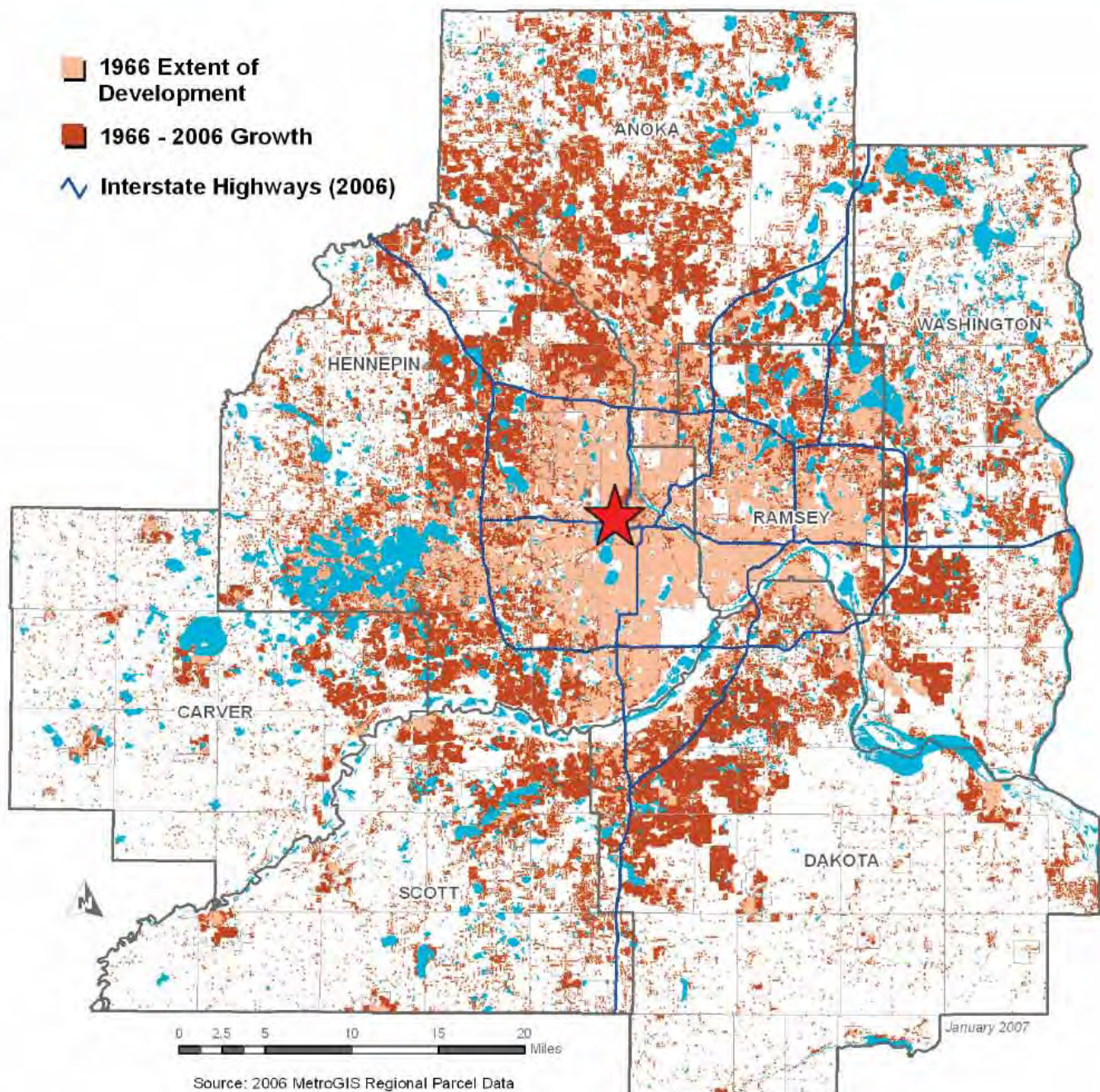


Population Change



Twin Cities Metropolitan Area

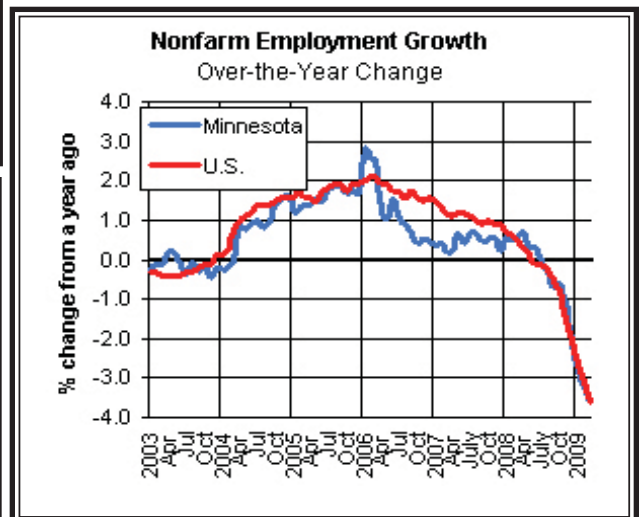
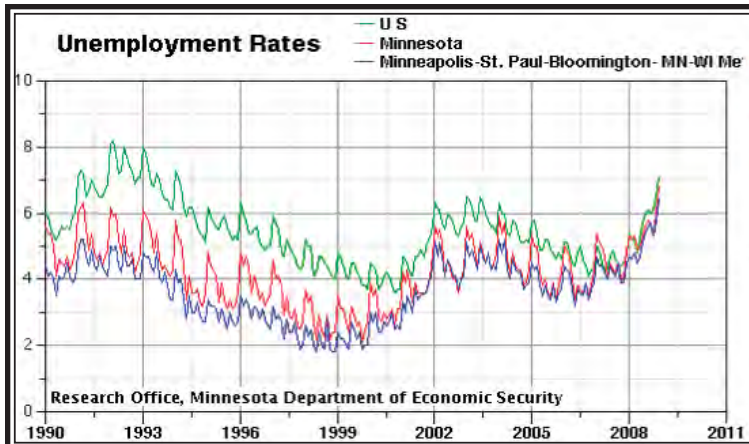
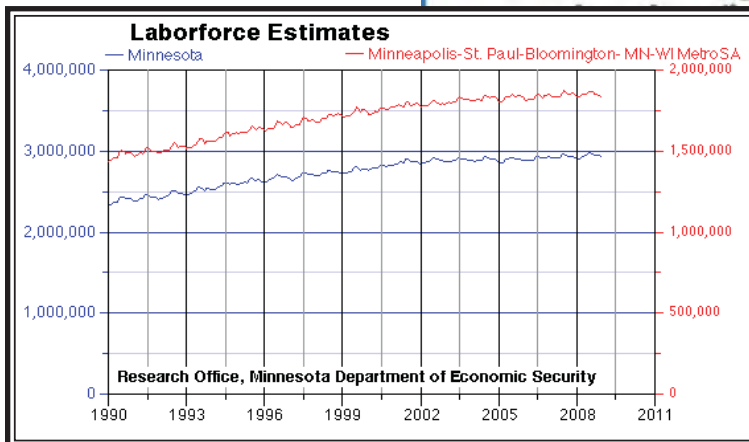
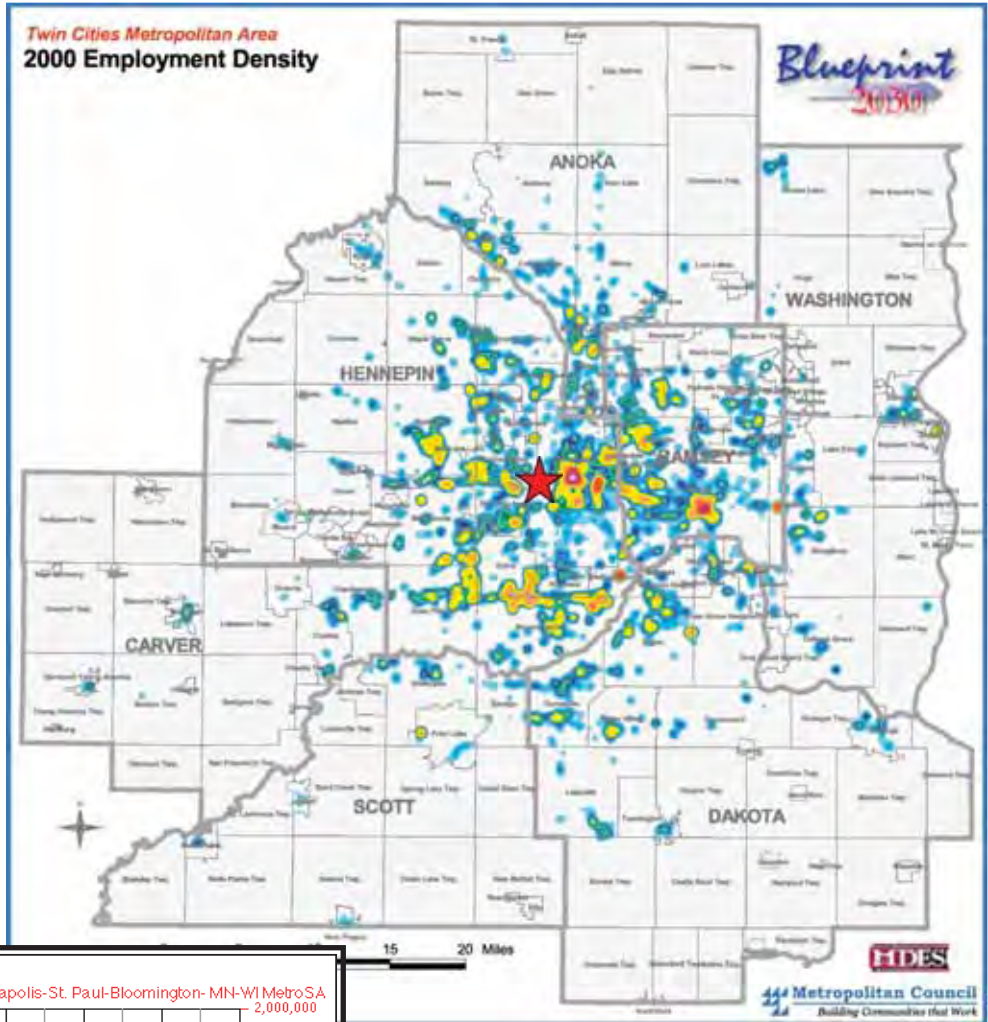
40 Years of Growth



REGIONAL ANALYSIS (CONTINUED)

Employment

The Minneapolis-St. Paul MSA employment scene has historically been better than the nation, yet job growth in the past recession was negative. The following map and charts show that employment is concentrated within the metro region, and that historic and current unemployment is low in comparison to the national average.



REGIONAL ANALYSIS (CONTINUED)

Positive Factors Impacting Real Estate

- Growth generally has been along transportation corridors such as rivers and major roadways
- Increasing population and employment are projected as migration continues—nearly 1 million in growth is projected by 2030
- The developing 2nd & 3rd tier suburban zones are likely to attract the most expansion due to appealing school districts, modern and ample shopping facilities, good recreational and other supporting facilities, and to the availability of vacant land having urban services
- Non-agricultural employment is concentrated in the Minneapolis-St. Paul MSA
- Due to there not being dependence on just a few industries, the area has experienced stability and has avoided the wide swings in economic activity
- Employment centers are both in the central cities and in office and industrial parks throughout the metropolitan area. Employment in the southwest sector has grown dramatically within the past two decades
- The labor force is well educated and exceeds the national averages
- Due to factors such as a high labor force participation rate, income for the region is above average, and poverty rates are low
- Traditionally, the unemployment rate for the region has been below the national average; however, this has changed of late
- The TCMA is a good distribution center for the Midwest
- The state's political climate historically has been generous to low income households, and government services have been good
- The area has numerous natural lakes, recreation parks and many trees
- Popular attractions include northern Minnesota resorts, and the metro area's Mall of America
- Community town centers having mixed-use development which reduces commuting have become popular since the early 2000's
- The introduction of light rail transit (LRT) during 2004 has been well received along the downtown Minneapolis to the MSP Airport/Mall of America corridor, yet the lack of a network has limited its effectiveness and its impact upon real estate values to date. Planned are the Central Corridor which would connect the Minneapolis and St. Paul downtowns, and the Northstar--the region's 1st commuter rail to run from Big Lake to downtown Minneapolis (will connect with LRT near the new Twins Baseball Stadium). There also is a future proposal for a Southwest Corridor for LRT which would run to Eden Prairie, yet there is no current funding

Negative Factors Impacting Real Estate

- Density of development is somewhat low due to the desire for open spaces
- While planning agencies attempt more concentration of dwelling units per acre in the urban centers to reduce the need for costly infrastructure, traditional detached home ownership has been prevalent. Townhouses and condos have increased in popularity, however, since 2000
- With the population spread out, public transit services are limited. Light rail, however, has been introduced linking downtown Minneapolis to the airport, plus future legs are planned
- The region has a low share of production workers, machine operators, laborers and agricultural workers
- Availability of raw materials is not ideal (except for agricultural products), yet semi-finished materials are reasonably convenient
- Commercial/industrial property tax rates are very high in comparison to surrounding states. While some tax relief legislation had been achieved in past years, taxes remain a concern. When factoring in other business taxes such as workmen's compensation, many describe Minnesota as having an anti-business climate
- Due to subsidy, assistance programs, and general public services, area taxes have traditionally been high
- Rush hour congestion and commuting times are becoming more and more of a concern. Future roadway problems will likely increase due to population gains, the limited density of the region's development, the low percentage that use public transportation (5.3%), and to the lack of significant new roadway plans within the foreseeable future. MnDOT currently has funding shortages
- Extreme climatic conditions--cold, dry winters and hot, humid summers
- As is the case nationally, the local market is negatively impacted by the growing residential credit crisis which has resulted in numerous residential foreclosures (particularly within some urban neighborhoods) and tight lending
- The condo, townhouse and detached residential markets are in distress due to the subprime mortgage problems and credit crisis. Demand is very low, values are declining, there is an oversupply of existing inventory & available lots/pads, concessions are increasing, and the demand for residential development land is nearly non-existent
- The residential credit crisis has impacted commercial & industrial markets as well, with the result being a softening in values
- There is much concern over affordable housing shortages
- There is a dwindling supply of developable land having public utilities and services

LOCATION ANALYSIS

County Name and Description

Subject is located in NW Hennepin County; the county seat is Minneapolis. The county has good demographics, including strong population, household income and employment bases. Continued growth within the fringe communities is projected.

Hennepin County Demographics

	1990 Census	2000 Census	2006 Estimate	2010 Forecast	2020 Forecast	2030 Forecast
Population	1,032,431	1,116,206	1,122,093	1,202,160	1,293,840	1,373,350
Households	419,060	456,133	496,083	500,960	546,400	583,470
Employment	723,105	856,838		969,740	1,045,610	1,105,230
Median Household Income:						
City of Minneapolis		\$37,974	\$43,369			
Hennepin County		\$51,711	\$58,272			
Twin Cities MSA		\$54,304	\$58,526			
State of Minnesota		\$47,111	\$54,023			
USA		\$41,994	\$48,451			

County Map



LOCATION ANALYSIS (CONTINUED)

Subject Community Name and Overview		
X	Name	City of Minneapolis
X	Urban	
	Inner Developed Suburban Ring	
	2nd Tier Developing Suburban Ring	
	Outer Tier Suburban	
	Fringe Suburban	
	Rural	
Comments: Well rated established city with stable population. The subject is located in a good Minneapolis gateway area near the Bassett Creek Valley, on the borders of the Bryn Mawr, Harrison & Lowry Hill neighborhoods, on the north side of Freeway I-394, one mile west of downtown		

Neighborhood Built-Up	
X	Over 75%
	25-75%
	Under 25%

Growth	
	Rapid
	Moderate
	Slow
	Near fully developed
X	Fully developed

Distances			
1	mile	west	of Downtown Minneapolis
6	miles	west	of Downtown St. Paul
Adj	to freeway I-394		
.5	miles from other major transportation routes		

Nearby Uses	
% of District	Type of Property
15%	Single-family residential
5%	Multi-family residential
5%	Park land
5%	Office/other commercial
30%	Industrial
40%	Vacant & storage yards
100%	TOTAL

Community Demographics					
	1990 Census	2000 Census	2010 Fore-cast	2020 Fore-cast	2030 Fore-cast
Population	368,383	382,747	402,000	423,000	435,000
Households	160,682	162,352	172,000	181,000	301,826
Employment	278,438	301,826	317,000	332,500	346,500

Change in Land Use	
	Unlikely
X	Likely: The subject is within future mixed-use Bassett Creek Valley redevelopment project to begin after completion of the extension of Van White Blvd

Regional Map

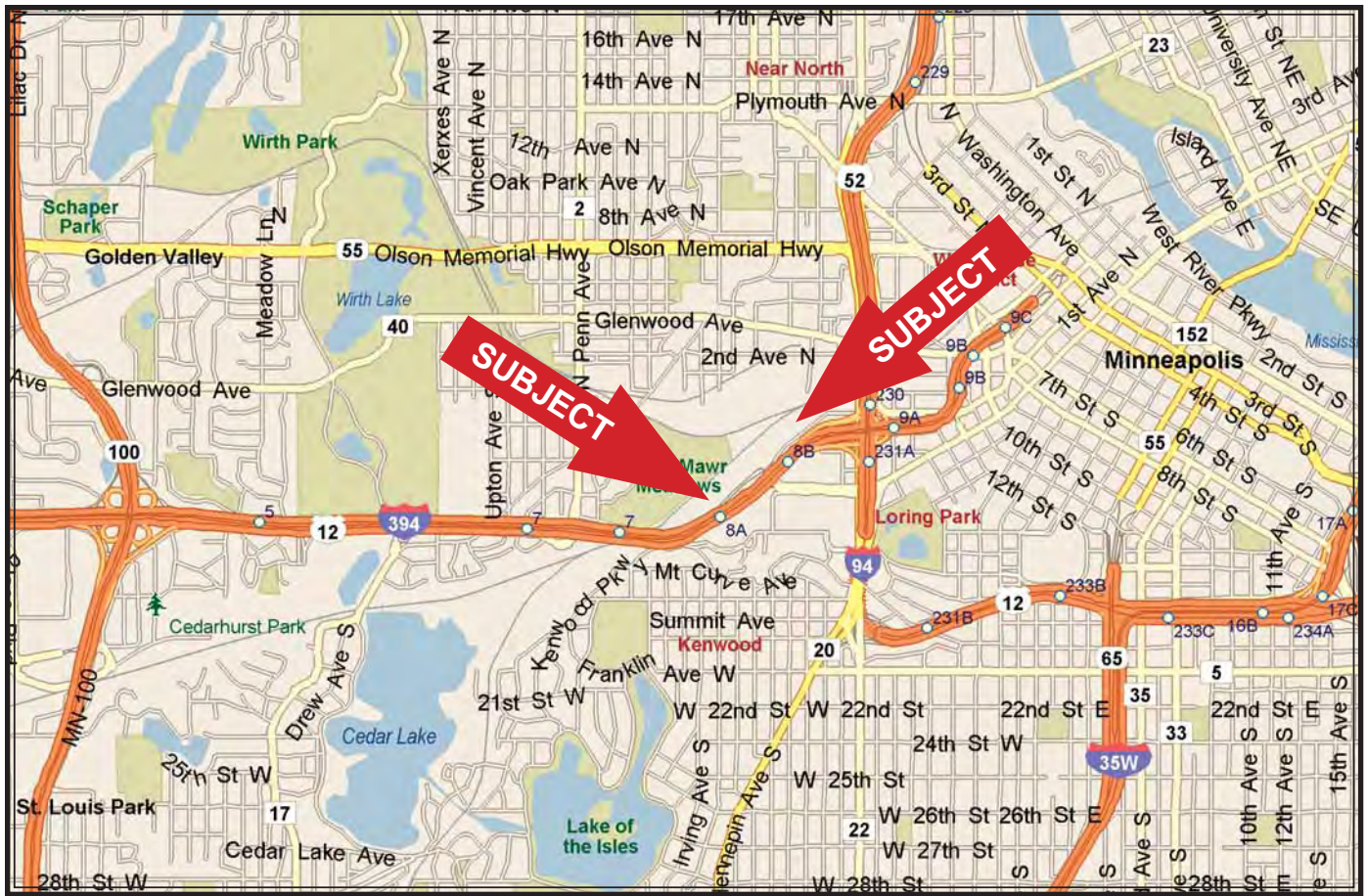


Typical Age Range		
	Pre 1900	1980's
X	1900 thru 1940	1990's
	1940 thru 1960	2000 to current
	1960 thru 1980	
Comments:		

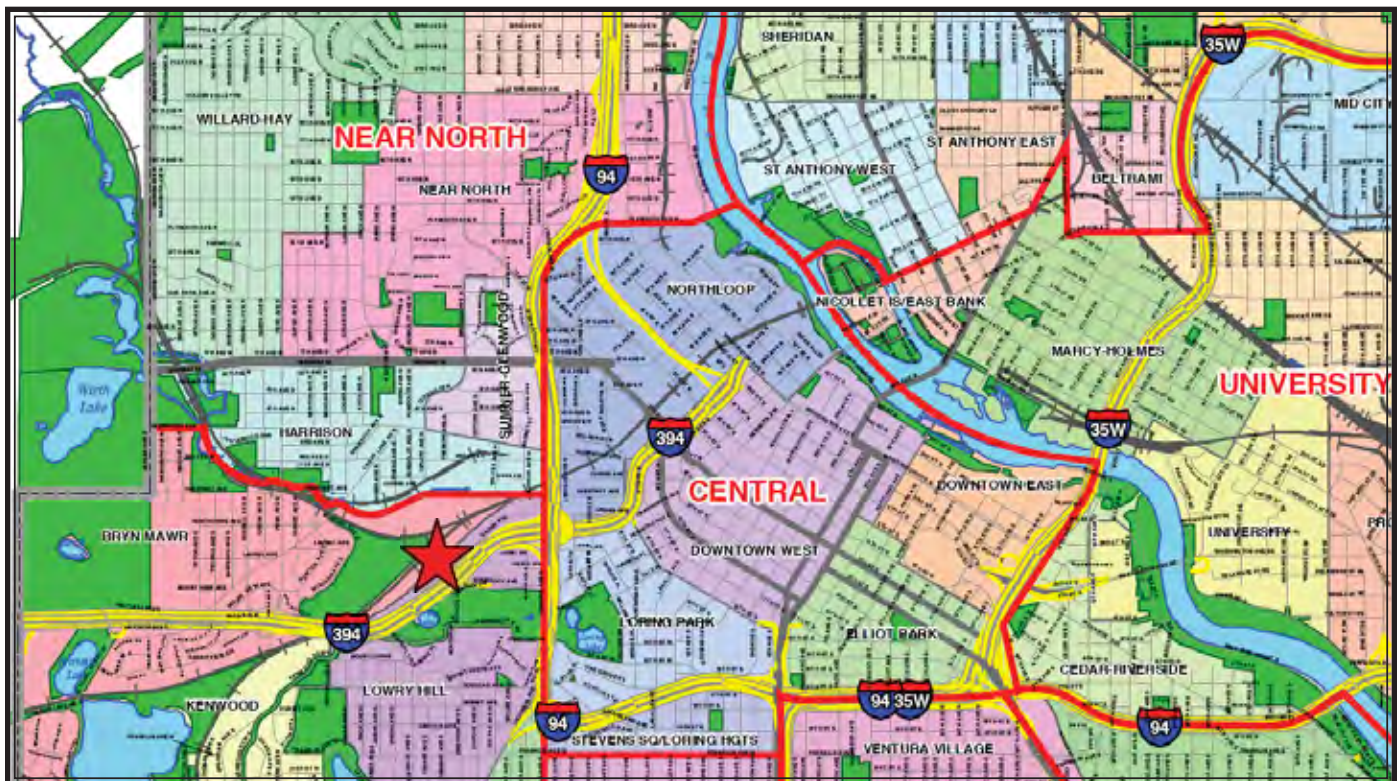
Comments	
The area is characterized by its established, fully-developed urban setting, close proximity to downtown, heavy industrial uses, nearby park & transportation routes, and a dense population base. Future redevelopment has been proposed to be phased over the next 3 decades. Much planning has been completed, yet funding during the current difficult economic conditions, compounded by geotechnical and environmental issues within the district, make timing uncertain. (Subject soil issues are not considered in this appraisal per client engagement)	

LOCATION ANALYSIS (CONTINUED)

Location Map

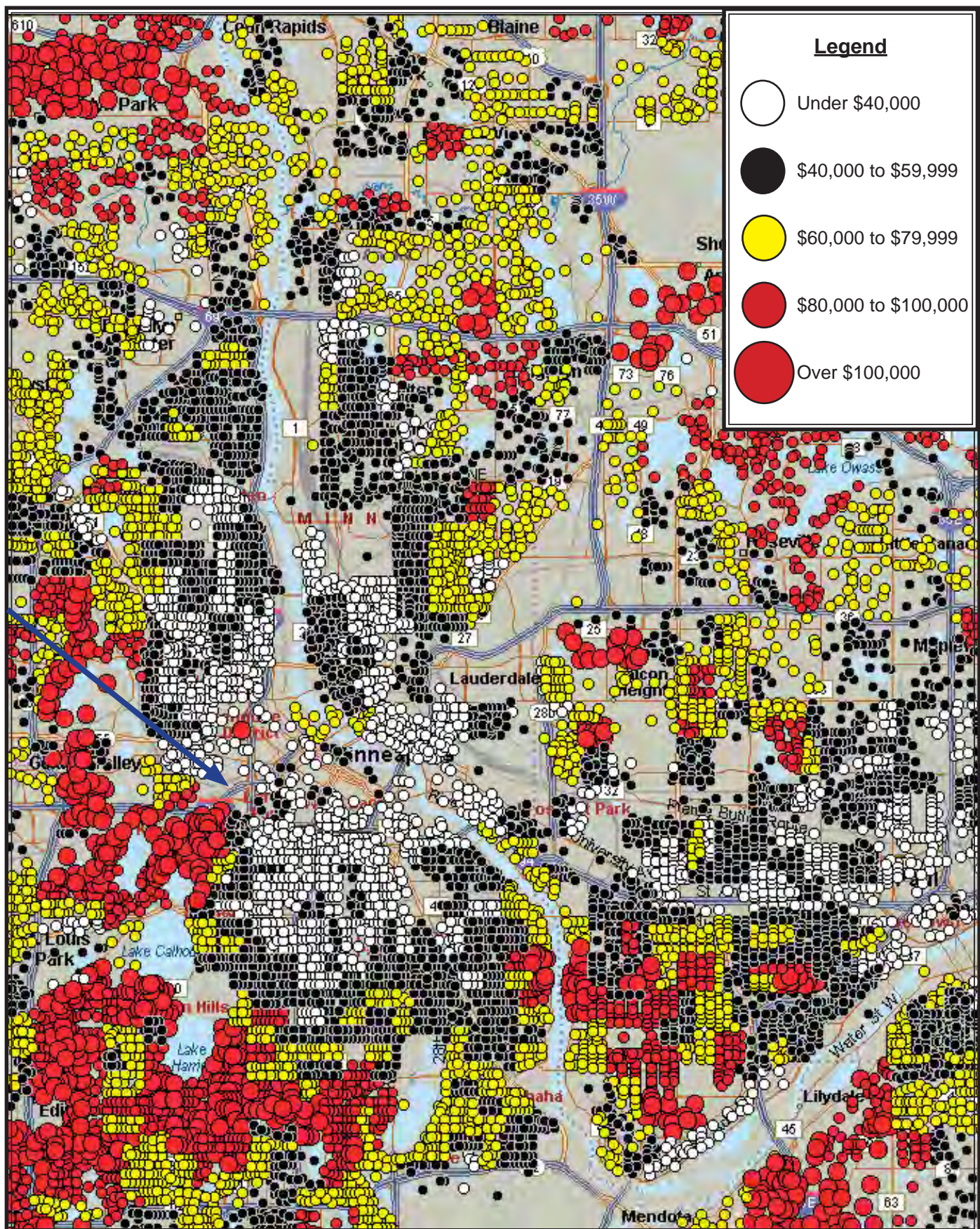


Neighborhood Map



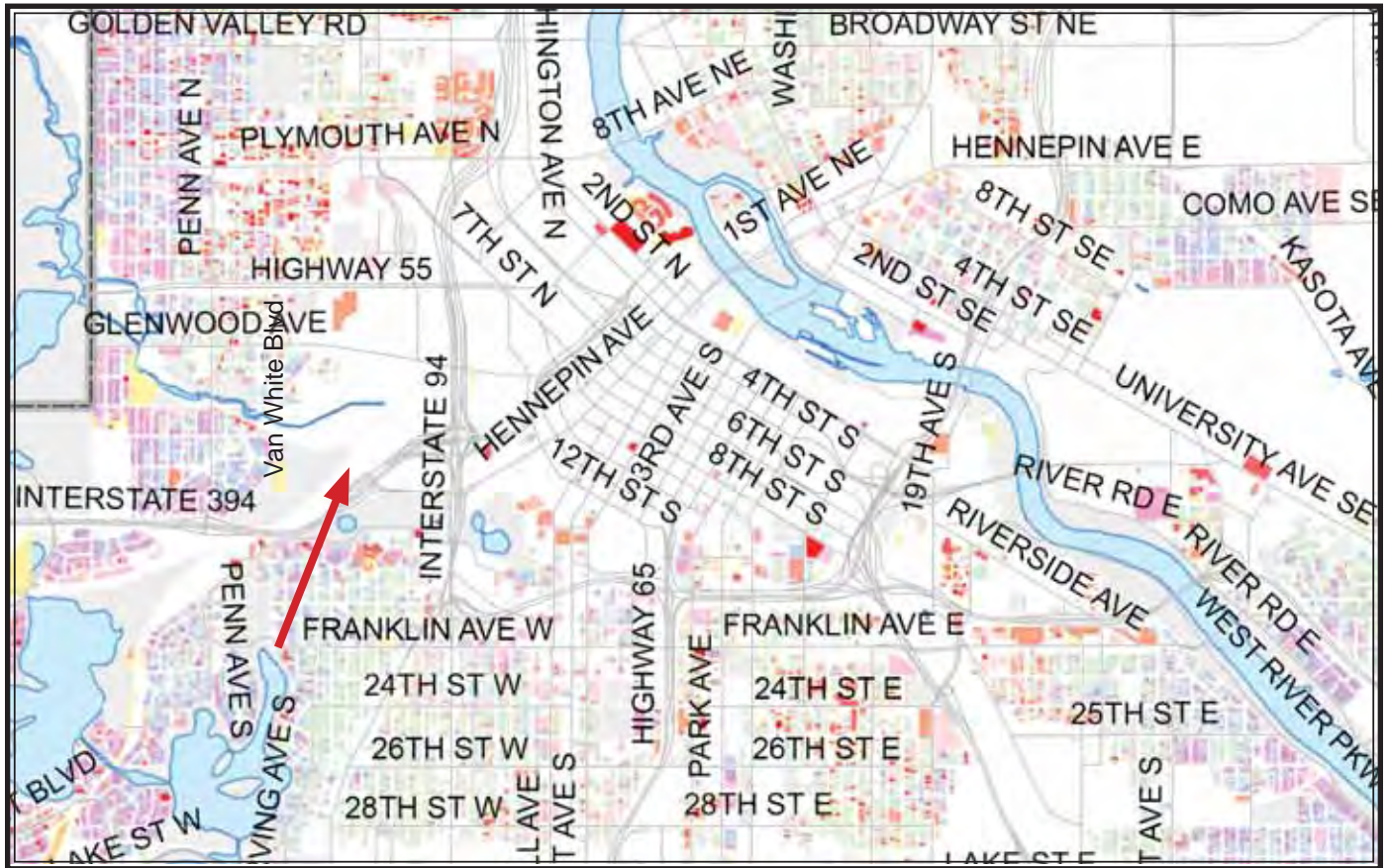
LOCATION ANALYSIS (CONTINUED)

2008 Population Density and Median Household Income Map



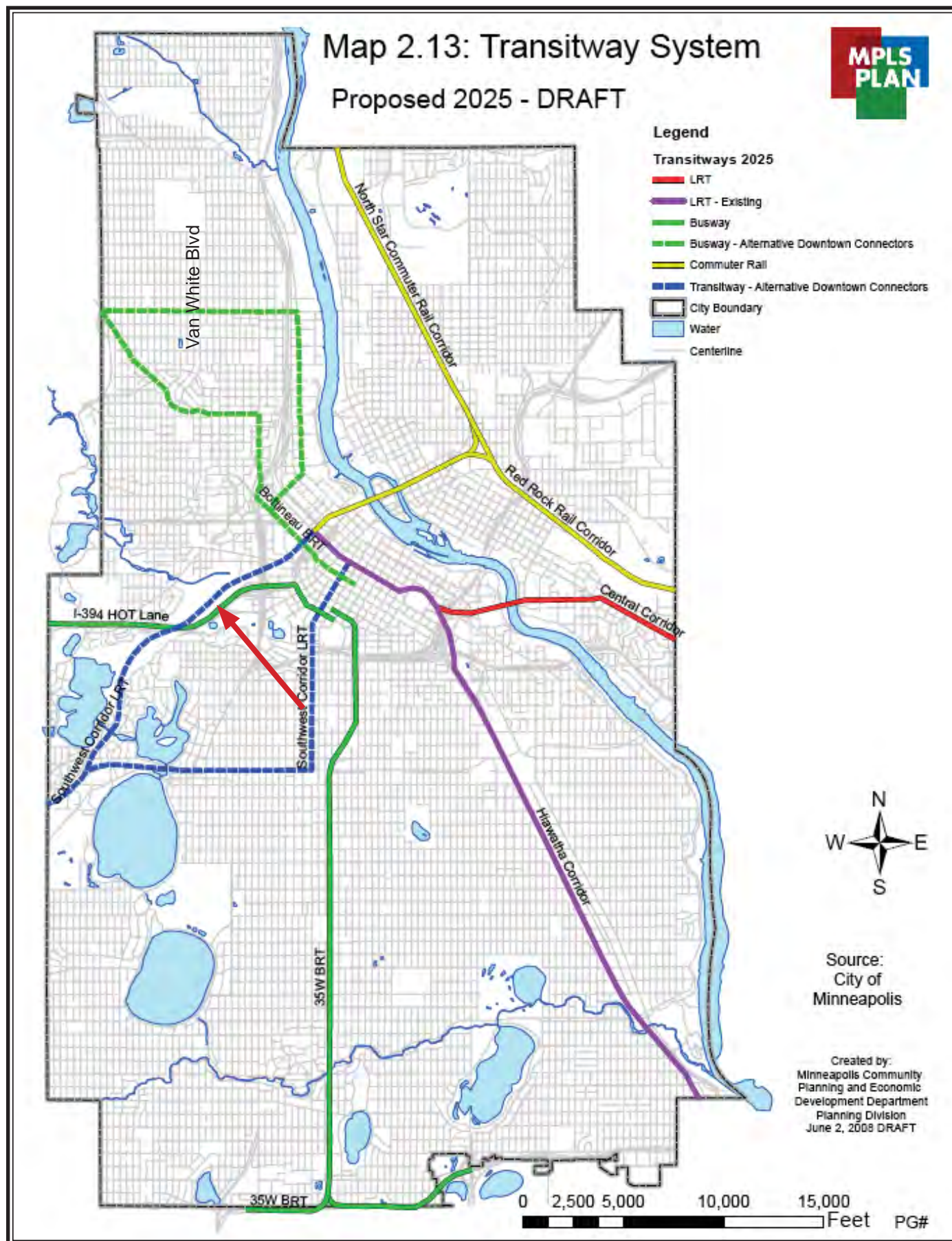
LOCATION ANALYSIS (CONTINUED)

2008 Housing Development Map



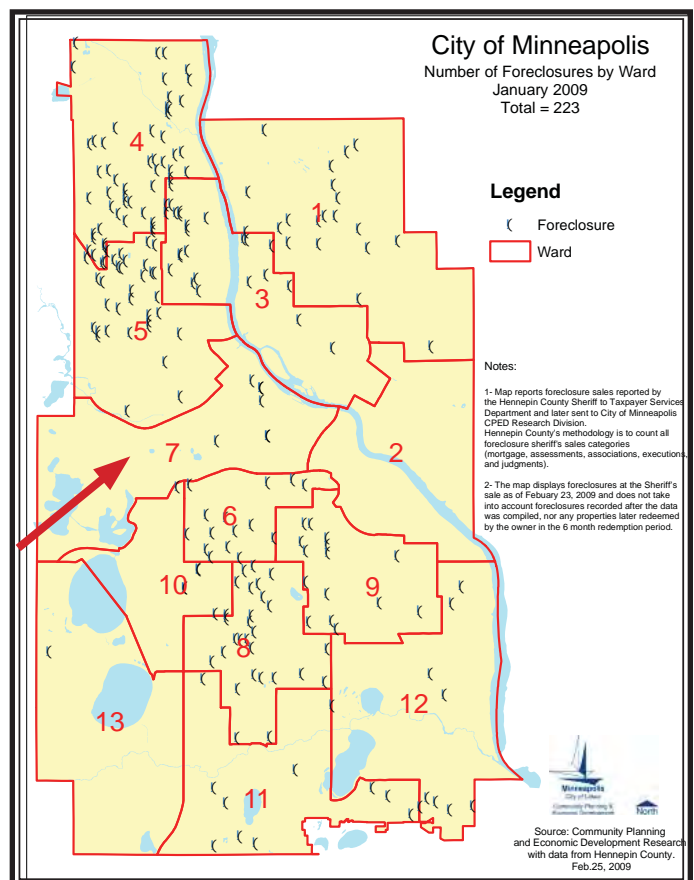
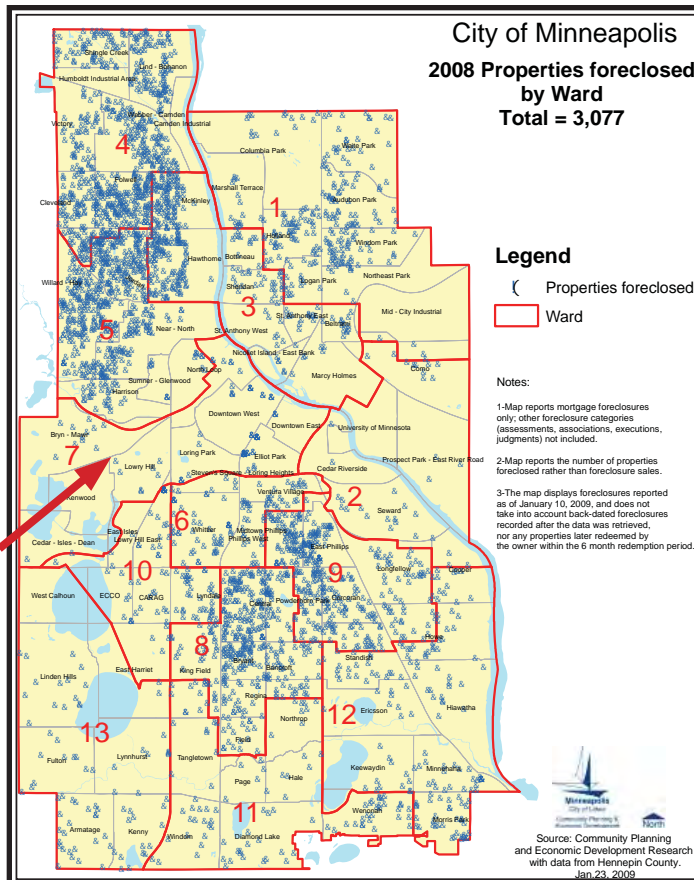
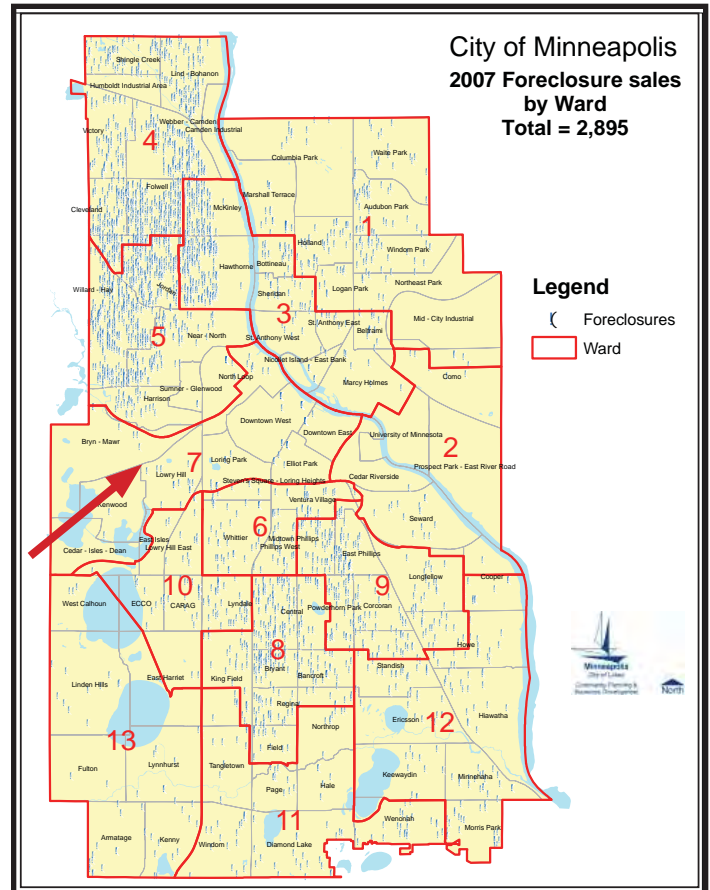
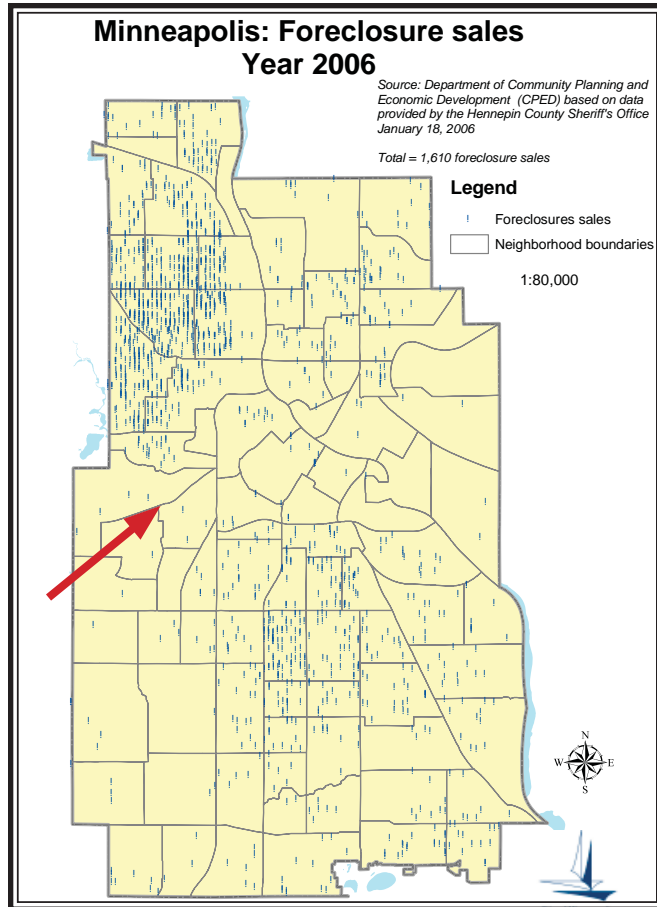
2008 Parks and Open Space Map



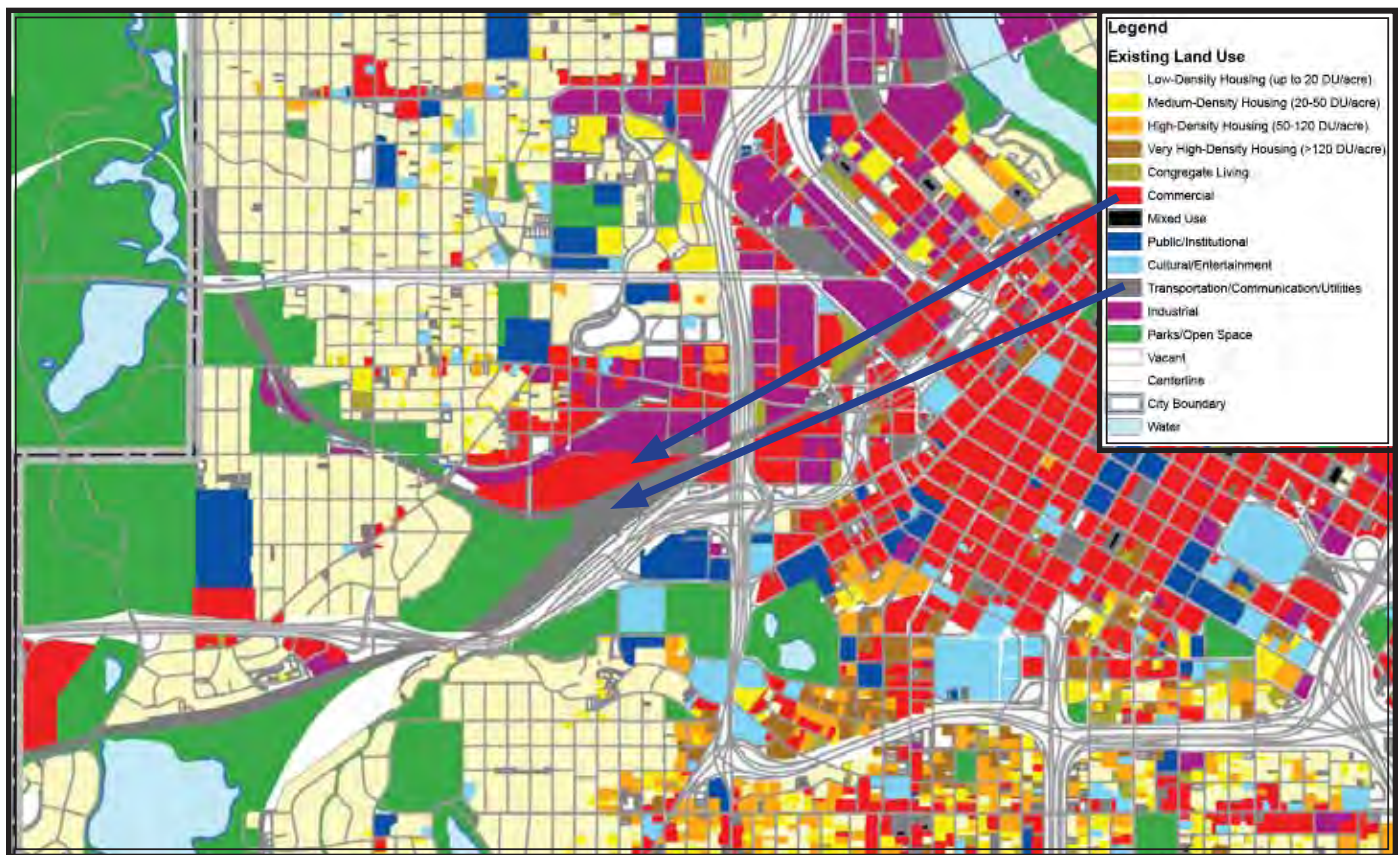


LOCATION ANALYSIS (CONTINUED)

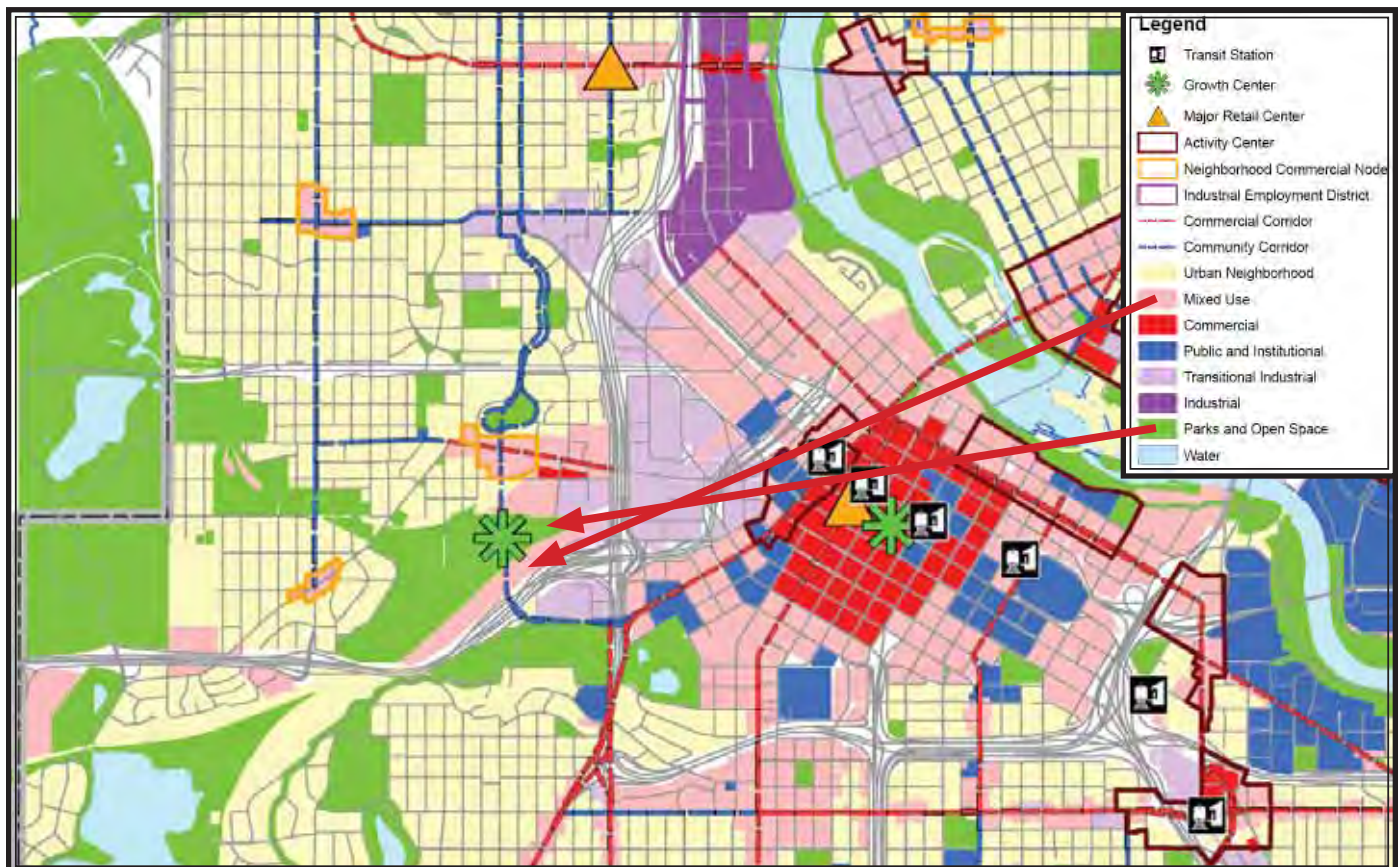
City of Minneapolis 2006 - January 2009 Foreclosure Maps



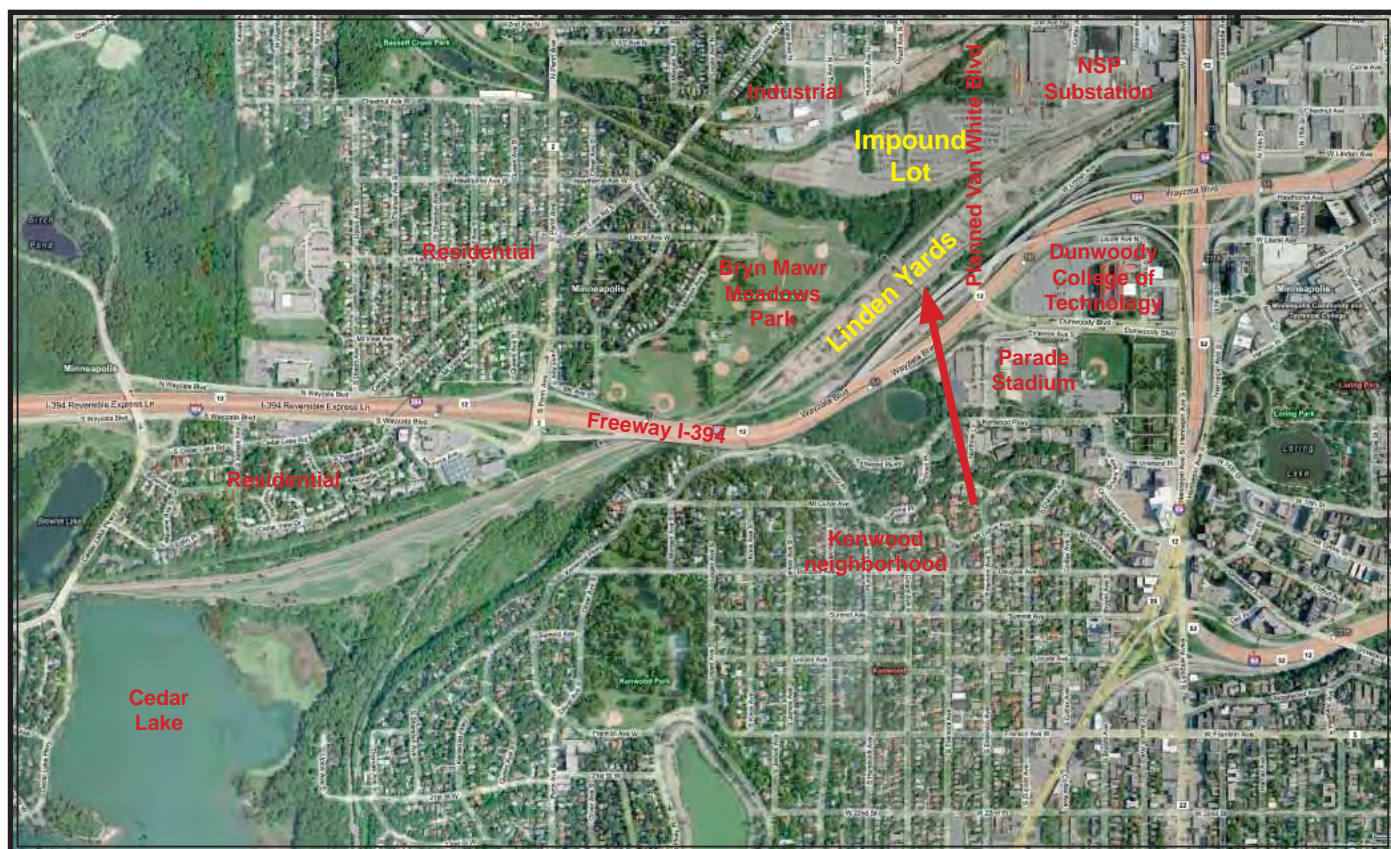
2008 Existing Land Use Map



2008 Future Land Use Map



Aerial Photos of Area



Aerial Photos of District



LOCATION ANALYSIS (CONTINUED)

Neighborhood Description						
ITEM	COMMENTS	Ex	Gd	Av	Fr	Pr
Appeal/Appearance	Varies from much older heavy industrial uses within the vicinity (plans for redevelopment), to strong low-density residential districts to the south. Located along Freeway I-394		X	X		
Development Density (high to low)	Typical urban density; future intensification planned		X	X		
Property Compatibility	Predominately industrial uses. South of I-394 is Kenwood Parkway, having upscale homes and mansions			X		
Maintenance/Condition	Many older facilities to the north			X	X	
Development Potential	Reuse potential only after significant public investment in infrastructure. Many additional hurdles also need to be overcome			X		
Population Stability	Community 2000 census population: 382,747. Established community		X			
Employment	Community 2000 census employment: 301,826. Stable		X			
Transportation/Access	Good access to district. The lack of north-south linkages to be cured via the new Van White Blvd. Appraisal based upon the subject to have future LRT service		X			
Adequacy of Utilities	Average within district			X		
Police/Fire Protection, Convenience of Schools				X		
Recreational Facilities	Nearby and throughout community. Bryn Mawr Meadows Park is adjacent to the north; new pedestrian bridge planned		X	X		
Protection from Adverse Conditions/Externalities	Environmental issues and soft soils within the district				X	
Appeal to Market				X		
Balance of Supply/Demand	A poor economy has slowed demand for all property types			X	X	
Rental Demand	Stable, somewhat improving trend			X		
Vacancy Trend				X		
Values	Currently declining due to poor economy, especially for residential properties; commercial and industrial real estate has been negatively impacted to a lesser extent. See the adjacent page for recent years' Minneapolis residential foreclosure sales maps. Future improved values likely after the Twins Stadium opens in 2010, the economy improves in 2011, and as some development occurs in the subject Bassett Creek Valley Master Plan			X	X	
Future Outlook			X	X		
Physical, Legal or Economic Changes Occurring or Probable within Neighborhood?	Redevelopment is proposed and anticipated to occur during the next 30 years		X	X		
Locational Factors Adequate to Support Subject Use?	Yes			X		

Conclusion and Comments

The subject general area is characterized by its established fully-developed urban setting, close proximity to downtown, older industrial uses to the north, a mixture of residential densities farther removed, its good transportation routes, and a dense population base. In addition to the subject 25-acre Linden Yards (Minneapolis Public Works concrete crushing & storage yard) and 31-acre auto impound lot, major uses of the district include the International Market Square (IMS), which is the 1985-renovated Munsingwear Buildings now housing over 135 upscale home furnishings showrooms and studios, Heritage Park (a mixed-density residential major redevelopment near Hwy 55), a school bus garage and park land within Bryn Mawr Meadows

East of I-94 is the Minneapolis fringe CBD having uses such as the Farmers Market. At the west fringe of downtown within the Warehouse District, the new MN Twins stadium and the end of the line for the Northstar rail corridor which will link with the LRT Hiawatha line are being constructed. A SW LRT is also proposed, and is assumed to occur for purposes of our appraisal.

South of I-394 is Kenwood Parkway having many upscale homes and older appealing mansions. North of the subject, older heavy industrial uses are accessed via Glenwood Avenue, a traffic corridor designated by the City of Minneapolis as a Community Corridor. A future redevelopment trend is likely along Glenwood Ave. Due to the filled Bassett Creek and heavy industrial use history within the district, there are soft soils and many environmental issues.

Land use planning for the area has occurred. Proposed by the subject Bassett Creek Valley Master Plan is replacing the older industrial uses with a mixed-use neighborhood having low, mid and high-density residential uses, office towers & some light industrial uses, and commercial/retail uses along Glenwood Avenue. This is a long-range 3-decade phased plan that will take huge public and private investment. A key feature required before the plan is implemented is the construction of the needed Van White Blvd connecting route.



LOCATION ANALYSIS (CONTINUED)

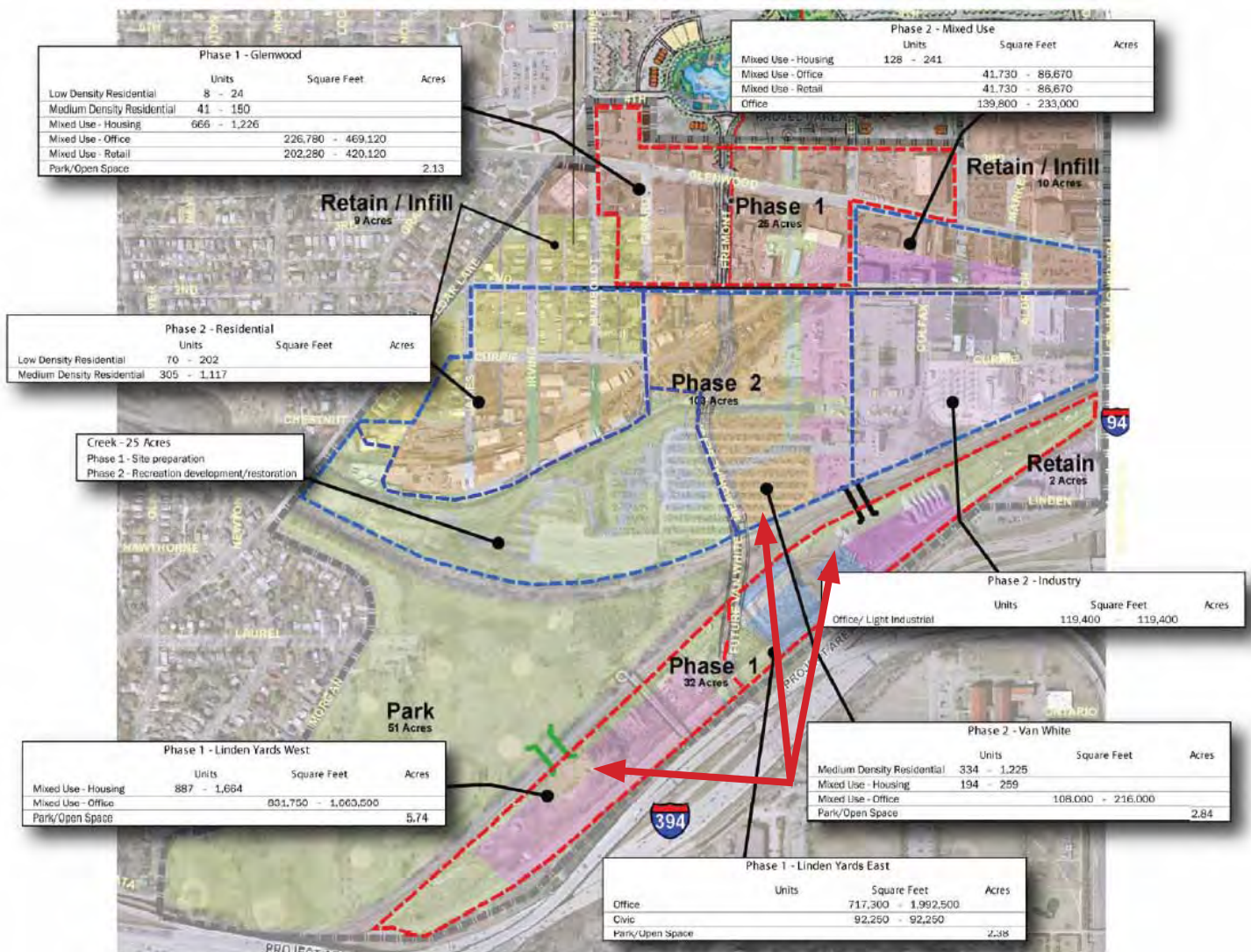
Bassett Creek Valley Project Overview

Redevelopment has been proposed for the subject Linden Yards and a portion of the Impound Lot. The project, known as Bassett Creek Valley, is to occur in conjunction with Van White Blvd, linking Heritage Park to the north with Parade Stadium to the south. The Bassett Creek Valley Master Plan is a visionary phased planning document for the 230-acre area that is proposed over the next 30 years. The first phase is the subject along I-394. The overall plan includes a variety of mixed uses.

Implementation challenges include the need for public roadways/infrastructure, relocation of uses and business (including the 30-acre impound lot and the 25-acre Linden Yards), environmental and geotechnical hurdles, restoration of Bassett Creek, the uncertainty with the SW transitway, and the huge financial commitment needed. Public costs alone for the mid-range level of land use density is near \$288 million. TIF and other financing tools would be needed.

The plan is based upon phased development over 3 decades only after the Van White Blvd connection and other significant public and private investments are made. Proposed early phase mixed-use development includes Glenwood Ave and the subject Linden Yards.

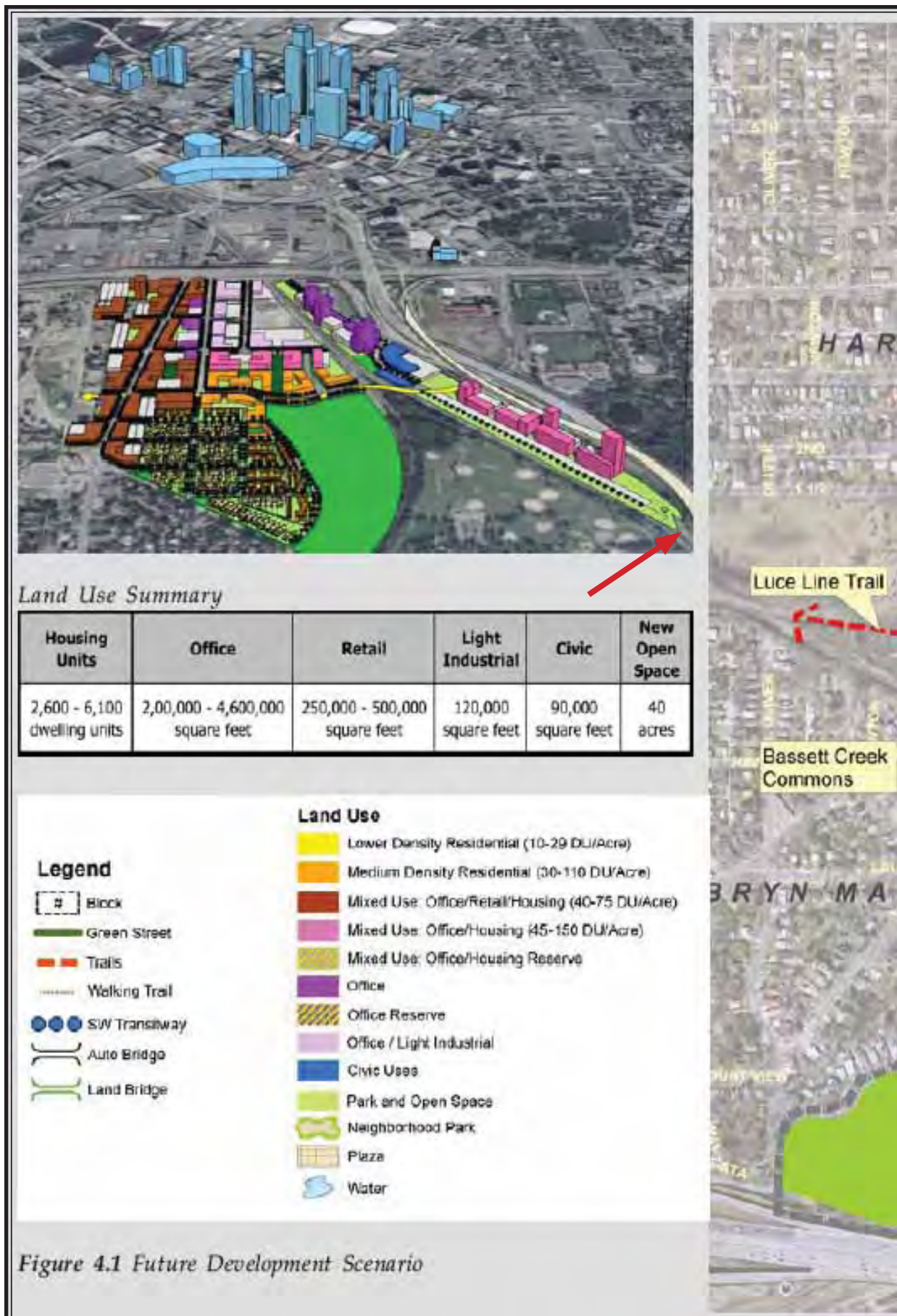
Bassett Creek Valley Project Phasing Map



LOCATION ANALYSIS (CONTINUED)

Bassett Creek Valley Project Aerial Map



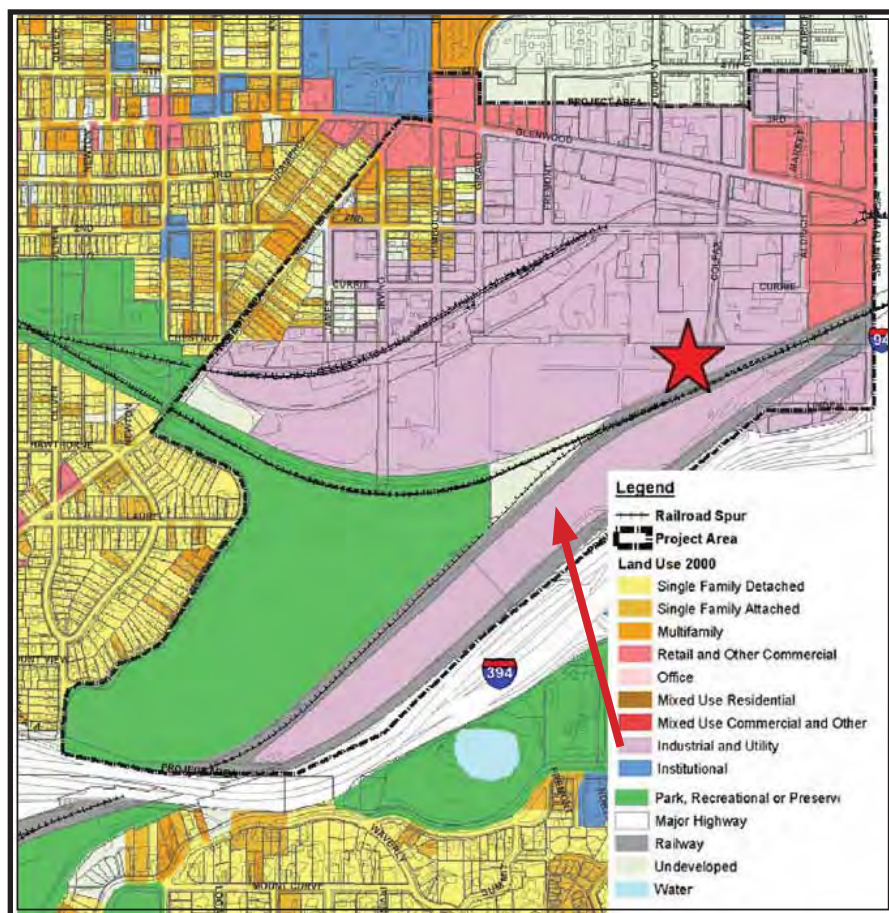


LOCATION ANALYSIS (CONTINUED)



LOCATION ANALYSIS (CONTINUED)

Bassett Creek Valley Existing Land Use Map



Existing Uses

